

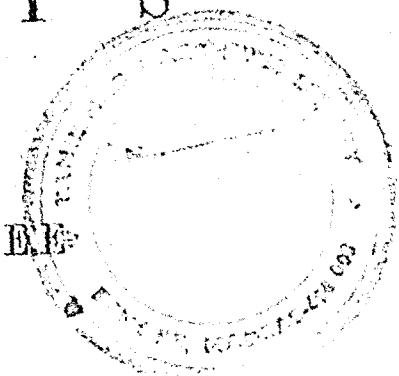
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FIRST and SECOND
R E P O R T S
FROM THE
SELECT COMMITTEE
ON
EAST INDIA
(Hyderabad Deccan Mining
Company);



TOGETHER WITH THE
PROCEEDINGS OF THE COMMITTEE,
MINUTES OF EVIDENCE,
AND APPENDIX.

Ordered, by The House of Commons, to be Printed,
17 May and 6 August 1888.

XXV-F

15.

LONDON:
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Ordered,—[Thursday, 3rd May 1888]:—THAT a Select Committee be appointed to inquire into the formation and promotion of the Hyderabad Deccan Mining Company, Limited, the circumstances under which the concession held by that Company was obtained from the Government of Hyderabad, and the subsequent operations on the London Stock Exchange by persons interested in the Company.

Committee nominated of—

Sir Henry James.	Mr. McLagan.
Sir Richard Temple.	Mr. Bristowe.
Mr. Slagg.	Mr. Labouchere.
Mr. Solicitor General for Scotland.	

THAT the Committee have power to send for Persons, Papers, and Records.

THAT Three be the Quorum of the Committee.

Ordered,—[Thursday, 17th May 1888]:—THAT the Select Committee on East India (Hyderabad Deccan Mining Company) have leave to hear Counsel (to such extent as they shall think fit) upon the matters referred to them.

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CEEDINGS OF THE COMMITTEE	- - - - -	p. iv
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CEEDINGS OF THE COMMITTEE	- - - - -	p. xvii
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FIRST REPORT.

THE SELECT COMMITTEE appointed to inquire into the Formation and Promotion of the HYDERABAD DECCAN MINING COMPANY (LIMITED), the circumstances under which the Concession held by that COMPANY was obtained from the GOVERNMENT of HYDERABAD, and the subsequent Operations on the LONDON STOCK EXCHANGE by persons interested in the Company;—HAVE made Progress in the matters to them referred, and have come to the following RESOLUTION, which they have agreed to Report to the House:—

THAT the Committee having received applications from the Nizam of Hyderabad, the Hyderabad Deccan Mining Company, the Sirdar Diler Jung, Mr. Witham Clarence Watson, Mr. Henry Parkinson Sharp, and Mr. James Graham Stewart, to be represented by Counsel before the Committee, the Committee are of opinion that it will be advisable to allow Counsel to represent the said Applicants, for the purpose of assisting the Committee to such extent and purposes as the Committee may from time to time direct.

17 May 1888.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, 9th May 1888.

MEMBERS PRESENT:

Sir Henry James.
Sir Richard Temple.
Mr. Labouchere.
Mr. Bristowe.

Mr. Solicitor General for Scot-
land.
Mr. McLagan.

Sir HENRY JAMES was called to the Chair.

The Committee deliberated.

Motion made, and Question proposed, "That any persons or body deeming themselves interested, who wish to appear by Counsel, shall make application in writing to the Clerk on or before Monday next"—(The *Chairman*).—Question put, and *agreed to*.

[Adjourned till Wednesday next, at Half-past Four o'clock.]

Wednesday, 16th May 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Solicitor General for Scot-
land.
Mr. Bristowe.

Sir Richard Temple.
Mr. Labouchere.
Mr. McLagan.

following Letters were read:--

1, New Square, Lincoln's Inn, London, W.C.
11 May 1888.

Highness the Nizam of Hyderabad desires to be represented by Counsel at the Select Committee on the Hyderabad Deccan Mining Concession, and I am instructed by Nawab Fethar Nawaz Jung, the Chief Justice of Hyderabad, and His Director of the Hyderabad Deccan Company, to ask if such attendance would be in accordance with the rules of the House of Commons.

To the Chairman of the
Committee on the East India (Hyderabad
Deccan Mining Company).

I am, &c.
(signed) *Spencer Whitehead*.

17, Gresham House (Ground Floor),
Old Broad-street, London, E.C.
Saturday, 12 May 1888.

In answer to the announcement by the Committee, at the meeting of the 9th inst., of the parties interested who wished to be heard before the Committee by Counsel, I am instructed by Mr. Witham Clarence Watson, one of the original Grantees of the Concession now held by the Hyderabad Deccan Mining Company,

Company, to submit that it would be fit that he should be heard by Counsel, who should take such part in the examination and cross-examination of the witnesses, and otherwise, as the Committee may think fit. The reason for his request is, that the conduct of the Concessionaires is the principal subject of the inquiry, and that his interests and reputation may be prejudiced if the facts are inaccurately or imperfectly presented to the Committee.

To the Clerk of the
Select Committee on the East India (Hyderabad
Deccan Mining Company).

I am, &c.
(signed) *G. M. Clements*.

36, Bedford-row, London, W.C.,
12 May 1888.

Dear Sir,

In pursuance of the direction given by the Right Honourable and learned Chairman of the above Committee, we beg to place before the Committee our application, as solicitors and agents for the Sirdar Diler Jung, that he by his Counsel may be permitted to attend the inquiry and take part therein, by cross-examining witnesses and calling and examining witnesses, and tendering evidence and addressing the Committee as he may be advised.

The Sirdar occupied the position of Home Secretary to the Government of His Highness the Nizam of Hyderabad, and was deputed to conduct certain negotiations on behalf of the Nizam in London, previous to the formation of the above-mentioned Company, and it appears from the speech of the Honourable Member for Northampton, Mr. Labouchere, in moving for the appointment of the Committee, and from other matter which has been made public in reference to the proposed inquiry, that very grave charges will be made against the Sirdar of the nature of having failed to carry out the duties cast upon him as a Minister of State.

It is, therefore, we respectfully and urgently submit, of most vital importance to the Sirdar to have the fullest opportunity of refuting such charges, and we trust a favourable answer will be returned to this application.

We should add that on the 9th instant, Mr. Mowbray, the Member for the Prestwich Division of Lancashire, presented our Petition to the House of Commons to the same effect as this application, which Petition was at once referred by the order of the House to the Select Committee.

To the Clerk of the
Select Committee on East India (Hyderabad
Deccan Mining Company).

We are, &c.
(signed) *Chester & Co.*

19, Bedford-row, London, W.
10 May 1888.

Sir,

ACTING upon the announcement by Sir Henry James, the Chairman of the Hyderabad Deccan Mining Concession Committee, at the meeting on the 9th instant, that parties desiring to be heard before the Committee, should apply in writing, we are instructed by Mr. Parkinson Sharp, to apply for leave for him to appear and be represented before the Committee, and take such part in the inquiry into the circumstances relating to the granting of the Concession as the Committee may think fit.

Though Mr. Sharp had a considerable interest in the Concession which was granted to Mr. Stewart and to Mr. Watson, his name was not mentioned therein, and his interest in the Concession, and to the fact that Mr. Sharp personally held no interest in the Concession, and that Mr. Sharp's position and interests are necessarily distinct from those of any other persons interested in these matters, and it is of importance to him that he should be separately represented.

Mr. Sharp instructs us to express his desire by himself and Counsel to be heard before the Committee in every way and to give them all the information in his possession.

To the Clerk of the
Select Committee on East India (Hyderabad
Deccan Mining Company).

We are, &c.
(signed) *C. and S.*

46, Parliament-street, Westminster, S.W.,
12 May 1888.

Sir,
ACTING on the intimation made on the 9th inst. by the Chairman of the East India (Hyderabad Deccan Mining Company) Committee, we are instructed by the Hyderabad (Deccan) Company to ask that the Company may be represented by Counsel on the inquiry.

Their reasons for the request are :—

That the obtaining of the Mining Concession, which Concession constitutes the principal property of the Company, and the purpose of its existence, will be under consideration and inquired into.

That the interests of a large body of *bonâ fide* shareholders (upwards of 700 in number) who had no part in the negotiations for the Concession, may be affected.

That the interests of the shareholders and their position generally are substantially erent from those of the concessionnaires.

And that the presence of Counsel on the Company's behalf will, it is believed, materially assist the inquiry.

To the Clerk of the
Select Committee on East India (Hyderabad
Deccan Mining Company).

We are, &c.
(signed) *Bircham & Co.*,
Solicitors to the Company.

Leadenhall House, 101, Leadenhall-street, London, E.C.,
10 May 1888.

Sir,
We are acting for Mr. James Grahame Stewart, one of the executors, and the only son and residuary legatee of Mr. John Stewart, who died on the 29th July last, and to whom, jointly with Mr. William Clarence Watson, the Mining Concession, dated the 7th January 1886, was granted by the Government of His Highness the Nizam.

On behalf of Mr. James Grahame Stewart we ask for permission to appear by Counsel before the Select Committee, in order that the good name and interests of the late Mr. John Stewart, who cannot now defend himself, may be adequately protected.

To the Clerk of the
Select Committee on East India (Hyderabad
Deccan Mining Company).

We are, &c.
(signed) *Turner & Hacon.*

The Committee deliberated.

Resolution made, and Question proposed, "That your Committee having received applications from the Nizam of Hyderabad, the Hyderabad Deccan Mining Company, the Sirdar Jung, Mr. Witham Clarence Watson, Mr. Henry Parkinson Sharp, and Mr. James Grahame Stewart to be represented by Counsel before your Committee, your Committee opinion that it will be advisable to allow Counsel to represent the said Applicants purpose of assisting the Committee to such extent and purposes as your Committee in time to time direct"—(The *Chairman*).—Question put, and *agreed to*.

Resolved, To Report the above Resolution to the House.

[Adjourned till Friday, 1st June, at Twelve o'clock.

SECOND REPORT.

THE SELECT COMMITTEE appointed to inquire into the Formation and Promotion of the HYDERABAD DECCAN MINING COMPANY, LIMITED, the circumstances under which the Concession held by that COMPANY was obtained from the GOVERNMENT of HYDERABAD, and the subsequent Operations on the LONDON STOCK EXCHANGE by persons interested in the COMPANY;—HAVE made further Progress in the matters to them referred, and have agreed to the following SECOND REPORT:—

YOUR Committee have heard evidence on the matters referred to them. An application was made at the commencement of the proceedings, by certain parties interested in the inquiry, to be represented by counsel. Leave having been obtained from the House, counsel were allowed to attend and to take part in the examination of witnesses on certain points. Counsel also addressed your Committee at the close of the evidence. The parties represented by counsel were—

His Highness the Nizam.
Sirdar Diler Jung (Abdul Huk).
The Hyderabad Deccan Company, Limited.
Mr. William Clarence Watson.
Mr. Henry Parkinson Sharp.
Mr. James Graham Stewart.

The following facts were proved before your Committee:—On the January 1886, by an indenture of that date, a concession was granted by Government of Hyderabad to William Clarence Watson, of 7, Great Winchester street, London, merchant, and John Stewart, of 26, Throgmorton-street, London, (who is since deceased).

It will be seen that the concession confers upon the concessionnaire (Clause 17) the exclusive right of prospecting or testing for mineral kinds throughout the territories of the Nizam, until 31st December 1899. Concessionnaires also obtain the right to select, during that period, such lands or fields as they desire to acquire for mining operations, and to obtain from the Nizam's Government a lease or leases of such mines or fields as they may select for a term of 99 years from the date of the concession, at a royalty fixed (Clauses 17 and 11) by mining engineers, one to be appointed by the parties, or, in default of agreement, by a mining engineer to be appointed by the Government of India. The fixing and determining royalty is based and founded on the general principle of a fair rent. Such provisions, stated, are the rights applicable to minerals of all kinds, including coal or precious stones, conferred on the concessionnaires.

H. C. No. 338,
Session 1887, p. 26

The concessionnaires came under obligation forthwith to work certain coal-fields, called the Singareni coal-fields. The indenture declared (Clause 3) that the first object of the company was to work the coal-field at Singareni; and that the company were to open up the mine in such a manner that they should be in a position to supply (if so required) not less than 500 tons of good coal per week by the date of the opening of the railway communication to either Hyderabad or Bezwarra, or by the 30th June 1888 at latest. By the indenture (Clause 11a) it was provided that the royalties in respect of the Singareni Coal-field should be computed on quantities won, and should, if the sales were less than 100,000 British tons per annum, be fixed at eight annas per ton. Any excess over the above quantity might be charged with a higher rate of royalty up to a limit of one rupee per ton.

Ibid. p. 28.

Ibid. p. 26.

The two first clauses of the indenture contain the provisions relating to the formation of a limited company to work the concession. The first clause requires the concessionnaires to form in London a company under the Companies Acts, 1862 to 1880. This was to be done within six months after capital had been raised for the construction of a railway to Singareni. The capital of the Company was to be not less than 1,000,000 £, with power to increase the capital by an issue of debentures, and otherwise if necessary.

p. 26.

If the Company was formed within the stipulated period, and if before the expiration of that period 150,000 £ of its share capital at the least was subscribed for, and 75,000 £ thereof actually paid up, and if the Company adopted the concession, the concessionnaires would be entitled to transfer to the Company the benefits of the concession. On these things being done and a transfer made and notified to the Nizam's Government, the concessionnaires were to be released from their obligations under the indenture.

The preamble of the concession makes mention of the previous formation of another company for the construction of a railway connecting the northern and southern frontiers of the State of Hyderabad. In order to state the circumstances under which the mining concession was obtained, it is necessary briefly to refer to the history of the formation of this railway company.

Previous to the formation of this company there existed in the Nizam's territories a somewhat limited railway system. The extension of the railways had been mooted, and this was an object approved of by the Government of India. At first, the project of extending the railways was coupled with a proposal for a mining concession. This double scheme was broached by Mr. Charles Albert Winter in 1881. Mr. Winter was then a solicitor in Bombay, and his firm had acted professionally for the Nizam's Government in 1874 in regard to the old railway system. He is brother-in-law to Mr. William Clarence Watson, one of the concessionnaires; and in those matters Mr. Winter acted, not by Mr. Watson's authority, at least in reliance on Mr. Watson's co-operation, should business transactions take place. In 1881 Mr. Winter met with Abdul Huk, thereafter Sirdar Diler Jung, at Hyderabad, and negotiated with him on the subject of the railway.

Abdul Huk was at this time head of the Home Department, and Director of Lands and Mines in Hyderabad. Sir Salar Jung, the elder, was, until his death in February 1883, the Prime Minister of Hyderabad. From beginning to end of the negotiations, regarding both the railway and the mines, Abdul Huk acted as accredited agent of the Nizam's Government. He and Mr. Winter came to an understanding, of which the main features were that Mr. Winter and his friends should form a company, to find 2,000,000 £ for forming extensions of railways, 5 per cent. on this sum being guaranteed by the Nizam's Government for five years. Mr. Winter and his friends were also to receive a concession of a mining monopoly in the Deccan. The proposal was ultimately accepted by the Viceroy, and the Nizam's Government was informed that the concession was not of sufficient financial standing to render it desirable for that Government to enter into such important monetary relations.

Mr.

Mr. Winter stated to the Committee that he and Abdul Huk arranged that the latter should receive for his own uses "120,000 £ for the railway," and also one-fourth interest in the mining concession. Abdul Huk produced to Mr. Winter a letter, dated 5th January 1882, apparently signed by Sir Salar Jung, written "to assure you that I shall have no objection to your receiving any remuneration on the railway and mining schemes, with which they may reward your services; and that I shall consider whatever you receive from them as only your due." The relation thus established between Abdul Huk and the proposed concessionnaires was not, at any period of the subsequent negotiations, disclosed by either of them to the Government either in England or India.

Abdul Huk was subsequently sent to London to endeavour to find someone ready to finance the railroad scheme, and to make some arrangement in respect to the mining concession. The two schemes were left entirely separate. After submitting the railroad proposals to Messrs. Rothschild and to Messrs. Morton, Rose and Co., a railroad company was ultimately floated by Mr. Watson, on an agreement that the Nizam should give a guarantee of 5 per cent. for 20 years upon the 2,000,000 £ which was to be paid to him for the railway, and of which he was to take a portion in the shares of the contemplated railroad company which was to provide the 2,000,000 £. For floating this new railroad company Mr. Watson received 100,000 £, of which he stated that he expended in costs of promotion 93,000 £, and 83,000 £ was subsequently paid to Abdul Huk for his services in connection with the negotiation.

The attitude of the British Government during those negotiations of Abdul Huk is indicated in two Despatches written, one by the Marquis of Hartington, dated 24th May 1882, and the other by the Earl of Kimberley, dated 5th July 1883, on the occasion, in each instance, of Abdul Huk announcing his arrival in London on his mission. By the Despatch of 24th May 1882 Abdul Huk was informed by the Secretary of State for India that he was at full liberty to act upon the instructions of the Nizam; that the Secretary of State would be ready at any time during the progress of the negotiations to give him such advice and assistance as he might desire, and would expect to be informed of any engagements into which he might purpose to enter before their actual completion; and that the Secretary of State would recognise no liability, financial or otherwise, in relation to any Company or persons with whom Abdul Huk might negotiate, excepting so far as a specific contract might be entered into directly between the Company, the Secretary of State, and the Nizam's Government, with the intention of defining such liabilities. The Government of India, during the negotiations, by a Despatch of 15 March 1883, laid it down that they, as the paramount power in India, were bound to satisfy themselves in transactions of this nature; (1) that the Native Government fully realised its responsibility and obligations; (2) that every reasonable precaution had been taken to protect its interests; (3) that the European contractors distinctly understood that the Government of India disclaim all responsibility whatsoever in respect of the soundness of the basis on which their proposals may be founded and the general success of the enterprise to which such proposals related.

Meantime the project of a mining concession proceeded separately. In 1883 Abdul Huk, having been informed by the India Office that the proposal for the mining concession put forward by Mr. Watson ought to be submitted to advisers of experience, instructed Messrs. White, Borrett and Co. to act on behalf of his Government in settling the terms of a mining concession with Mr. Watson and Mr. Stewart. The draft of a concession was accordingly prepared, and, after negotiations which lasted several months, was set by Messrs. White, Borrett and Co., with the advice of eminent counsel (Mr. Lord, Macnaghten, and Mr. Blakesley). But Abdul Huk was informed by the India Office that it would be desirable that the project should be submitted to the Nizam's Government, and that further negotiations in respect to the concession should take place at Hyderabad before it was finally adopted.

Abdul Huk returned to Hyderabad with the draft of the concession, which was considered by the Nizam's Minister, Salar Jung the younger, with several points in the draft, and then submitted it as accepted by the Nizam.

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Appendix C
H.C. No. 3
Sess. 1887,
Q. 3689.

Q. 1290.
Q. 1300-3.
Appendix B.

Q. 3683.

Q. 1343.

H. C. No. 338,
Session 1887, p. 20.

Ibid. p. 20.

Ibid. p. 21.

Ibid. p. 20.

Resident, by whom it was transmitted to the Government of India at Calcutta, together with the letter of Salar Jung, dated 14th January 1885. The Government of India carefully considered the draft, and approved generally of it, but they proposed a number of alterations in various clauses. Two memoranda were forwarded to the Resident, one describing the alterations suggested, while the other explained the grounds on which they were recommended. The Resident was requested to recommend to the Minister of the Nizam and to the agent of the Company that the agreement should be concluded, that is, that the concession should be granted on terms embodying the suggested alterations. Such alterations, together with some further modifications, were agreed to, and the concession was signed on 7th January 1886.

H. C. No. 338,
Sess. 1887, pp. 3, 4.

Ibid. pp. 4, 5.

Upon the concession being signed it was forwarded to the Government of India. The fact of the execution of the concession was communicated to the Secretary of State for India by a telegram dated 29th January 1886. On the 2nd of February 1886, a letter was sent by the Governor General and Council to the Secretary of State for India, in which the following sentence occurs: "We have considered, in connection with the observations in the concluding portion of the 23rd paragraph of the Despatch, No. 19, Railway, dated 21st February 1884, from the Right Honourable the Secretary of State for India, that any liabilities which might be incurred in pursuance of this agreement, under 37 Geo. 3, c. 142, s. 28, would be removed by the formal 'consent and approbation' of the Governor General in Council 'in writing,' but as your Lordship has suggested that the previous approval of the Secretary of State is desirable to contracts of the nature of this agreement, we would solicit that we may be favoured with this sanction by telegram." The subject of the concession was considered by the Secretary of State for India in Council, and certain conditions being imposed, they were communicated to the concessionnaires and agreed to by them. On 27th July 1886 the sanction of the Secretary of State, conditional on such modifications, was intimated to Mr. Watson in London.

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The Hyderabad-Deccan Company, Limited, was forthwith registered, its objects being to acquire and work the concession. The fifth clause of the Memorandum of Association was as follows:—

"5. The capital of the Company is 1,000,000 £., in 100,000 shares of 10 £. each. Any shares in the capital of the Company may be issued as fully, or in part paid up, in payment for the said concession, or any other property which the Company is authorised to acquire; and the shares of which the capital shall from time to time consist may be divided into different classes, with such preferences, priorities, restrictions, or special incidents as may from time to time be prescribed by the Articles and Special Resolutions of the Company."

The Articles of Association contained the following Articles:—

"Article 3. The Board may make and carry into effect any agreements with any company, association, or person, whether a Director or Promoter of the Company or not, for any of the objects referred to in the Memorandum of Association, and any such person shall, notwithstanding that he is a Director or Promoter of the Company, be entitled to retain the benefit or profit of the agreement.

"Article 12. The Board shall consist of such number of Directors as a general meeting shall from time to time determine, and until and subject to such determination shall consist of any number not more than seven nor less than three.

"Article 14. The first three Directors of the Company shall be appointed the subscribers of the Memorandum of Association of the Company. The Board may at any time before the ordinary meeting to be held in the year 1888, appoint duly qualified persons as additional Directors, so that the total number of Directors shall not at any one time exceed seven without the authority of a general meeting. The first Directors, and any others appointed under this Article (except such of them as shall in the meantime have retired from their offices under any of the provisions of these presents), shall continue in office for two years from the incorporation of the Company."

The

The persons subscribing the Memorandum were, besides the two concessionnaires, Messrs. Winter, Hemmerde, Batten, Pearce, and Milne. It is sufficient at present to say that those gentlemen were all friends of or employed by the concessionnaires.

On 10th August 1886 these gentlemen met and elected as directors, Mr. Batten, Mr. Hemmerde, and Mr. Milne. On the same day the directors met, and the minutes of the Board record the following proceedings:—

Minutes of
Hyderabad
Deccan Company.

"The Agreement between the concessionnaires, the applicants for 15,000 shares of the Company, being the agreement to transfer the concession to the Company, was submitted and explained and approved. It was resolved that the common seal of the Company be affixed thereto, in accordance with the Articles of Association, when and so soon as 5 £. per share has been paid by the allottees of the 15,000 shares to the Company's bankers.

"The application for the 15,000 shares by the persons described in the schedule to the above-mentioned agreement was considered, and the shares numbered 1 to 15,000 inclusive, were allotted as follows:—

" John Stewart - - - - -	5,000
" Henry Parkinson Sharp - - - - -	5,000
" William Clarence Watson - - - - -	4,599
" Charles Albert Winter - - - - -	100
" George H. M. Batten - - - - -	100
" James Hemmerde - - - - -	100
" John Martyn Milne - - - - -	100
" Richard Pearce - - - - -	1
	15,000

" Resolved,—

"That the National Provincial Bank of England, Limited, 112, Bishopsgate-street, E.C., be appointed the bankers of the Company.

" Resolved,—

"That the allottees be requested to pay forthwith to the Company's bankers 5 £. per share, and that allotment letters be prepared and sent to them. The secretary submitted an agreement between the Company and Messrs. Watson and Stewart, prepared in pursuance of the before-mentioned agreement in relation to the 85,000 shares to be numbered 15,001 to 100,000, and to be allotted as fully-paid shares to them.

" Resolved,—

"That the same be approved, and the common seal of the Company affixed thereto after the first-named agreement has been sealed, and that the same be then duly filed with the Registrar of Joint Stock Companies."

Of these directors, Mr. Batten originally obtained and paid for 100 of the shares with 5 £. paid on them. In October 1886 Mr. Watson paid Mr. Batten 500 £. for those 100 shares, and at the same time transferred to Mr. Batten 100 fully paid-up shares. At the time of this transfer, and since, no payment for these last-mentioned shares has been made, but Mr. Batten stated that if the company paid a dividend he was to pay Mr. Watson for them, or to return them. Mr. Hemmerde, on 3rd October, received from Mr. Watson 1,000 fully paid-up shares. Dealings in the shares had previously taken place at a price of 9 £. per share. As accounting for this gift Mr. Watson stated, "Mr. Hemmerde was an old friend of mine, and I gave these shares to him (I hoped they would be worth 10,000 £.) for many services he had rendered to me for 20 years previously."

Of the two agreements thus approved the former effected the transfer of the concession to the Company, the allotment to the persons named of the 15,000 shares with 5 £. paid, and the allotment of the 85,000 fully-paid being terms of the bargain. The other agreement between the Company and Mr. Watson and Mr. Stewart set forth that it had been agreed that the concessionnaires should assign and transfer to the Company the concession, and that in exchange the Company should allot to the concessionnaires 85,000 shares of 10 £. each in the Company, which shares should be deemed for all purposes to be fully paid-up. It was, therefore, thereby agreed that the Company should allot to

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Appendix E.

Appendix F.

Q. 628.

Q. 629.

Q. 632, 633.

Q. 480.

Q. 4124.

Q. 4116.

Q. 4199.

Q. 4117.

the concessionnaires or their nominees 85,000 fully paid-up shares in the Company, and that the shares should be numbered 15,001 to 100,000, inclusive, and should be accepted by the concessionnaires in full satisfaction of all claims and demands whatsoever of the concessionnaires in respect of the transfer of the concession. These agreements had been drawn by the solicitors of the Company on the instructions of the concessionnaires.

Q. 585, 589.

Q. 767.

The 5 l. per share on the 15,000 shares were duly paid into the Company's bank; and thereupon the two agreements were sealed, and the contract as to the allotment of 85,000 fully paid-up shares was registered with the Registrar of Joint Stock Companies. These conditions having been fulfilled, the directors (Mr. Batten, Mr. Hemmerde, and Mr. Milne), on 19th August 1886, proceeded to allot to Mr. Watson and Mr. Stewart the 85,000 shares as fully paid-up, and certificates were signed, sealed, and handed to the allottees.

The shares of the Company having been distributed as mentioned above, Mr. Watson and Mr. Stewart were, on 24th August 1886, appointed additional Directors; on the same day Mr. Milne resigned his Directorship to become Secretary. On 2nd November Mr. Henry Parkinson Sharp was elected a director, and Mr. Hemmerde retired from the direction on 10th November 1886.

The 85,000 shares issued as paid-up, when received by Mr. Watson and Mr. Stewart, were by them divided among the partners in the enterprise, viz., Mr. Watson, Mr. Stewart, Abdul Huk, each a fourth; Mr. Winter, Mr. Henry Parkinson Sharp, and others participating in the remaining fourth. Abdul Huk's name does not appear as an allottee or transferee of shares in the Minute Book; but the proportion of the shares to be received by him were transferred to Mr. Winter; they were then turned into share warrants to bearer; and these latter were lodged with the bankers of Abdul Huk on his account. At the same time he received one-fourth share of the 15,000 shares, and at a later date he paid through Mr. Winter 5 l. per share upon them.

Q. 1639.
Q. 1651-6.

Q. 168.

Q. 4051.

Q. 4052.

Q. 4138.

Q. 4139.

Q. 4146.

Q. 4153.

Q. 4155.

Q. 4156.

Q. 2352.

Q. 4175.

Q. 4179.

Before the allotment of shares no reports upon the value of the rights conceded were received by the Directors or promoters of the Company. At a later date, and when dealings on the Stock Exchange were taking place on the shares, such reports were received from Mr. Hughes and Mr. Furnivall. Mr. Hughes is a Government official in India, being one of "the Superintendents of the Survey," and had been employed as such in the geological examination of Hyderabad and contiguous districts. The Secretary of State for India, upon being applied to, granted permission for Mr. Hughes to be employed and paid by the Company, in order "to see really what was the value of the concession they had got from the Nizam." Before any reports were made, in May 1887, Mr. Watson transferred to Mr. Hughes 200 fully paid-up shares and 200 shares with 5 l. paid on them. At the then market price these 400 shares were worth 3,200 l. Mr. Hughes paid Mr. Watson 1,000 l. for them. On 4th July Mr. Hughes re-transferred the 200 fully paid-up shares to Mr. Watson, receiving 2,390 l. for them. The 200 shares with 5 l. paid on them were retained by Mr. Hughes. Mr. Watson stated that this transaction amounted to a gift by him to Mr. Hughes, but that "it was not to make reports," "but that he (Mr. Hughes) might work and throw his whole energies into it." Reports were also received from Mr. Furnivall. This gentleman was an engineer, formerly in the employ of the Government of India, but now retired upon a pension. Mr. Watson gave Mr. Furnivall "500 shares for nothing." These shares were sold by Mr. Furnivall at 11 l. per share; therefore realising 5,500 l.

It is to be observed that the share in the concession received by Abdul Huk is in accordance with the terms of the arrangement made with Mr. Winter in 1881, as above set forth.

Q. 877.
Q. 2114.Q. 863.
Q. 875-944.
Q. 2117.

Q. 1152.

Q. 2393.

The shares of the Company began to change hands, but not to any considerable extent, prior to the first statutory meeting of the Company on 26th November 1886. At that time Mr. R. Stanton Evans, a gentleman engaged in financial operations in the City, began to sell the shares for Mr. Watson on the terms that Mr. Watson should pay to Mr. Evans 10 s. on every share sold by him "over par and up to a certain premium," and the shares were freely bought and sold on the Stock Exchange from that time. Of the 85,000 shares issued as fully paid-up, about 55,000 have been sold to the public. There are now

now about 700 shareholders. The prices of the shares ranged, during the period between September 1886 and April 1888, from 13½ l. to 5½ l. Mr. Watson by dealing in his fourth of the 85,000 shares and by transactions in buying and selling shares in the market, had, at the time when he gave his evidence, realised 209,300 l. (out of which he had paid in brokerage and commissions 20,829 l.), and he still retained 5,559 shares. Mr. Watson had also given away many shares.

Q. 3576-3582.

It should be remarked that whilst numerous transactions in these shares took place on the Stock Exchange, no application for a settlement or quotation was made to the committee of that body, and although the evidence shows that operations in the shares of companies for which no such application is made frequently occur on these occasions, the rules and regulations of the Stock Exchange are entirely disregarded, and it will be observed that had a settlement been applied for and granted in the shares of this Company, the 85,000 shares allotted to the concessionnaires would have been excluded from that settlement, not being a good delivery on the Stock Exchange.

Q. 3.
Q. 20.

It will also be observed that had a quotation been applied for, it would not have been granted as the rules and conditions of the Stock Exchange with regard to these matters had not been complied with.

Q. 10.

No prospectus of the Company was issued; and the title "prospectus" was disclaimed before your Committee for the Memorandum which is afterwards mentioned. The method adopted by the sellers seems to have been not to place before the public specific information, but to stimulate interest by affording hints and glimpses of the magnitude of the enterprise. At the same time, the fact that the 85,000 shares had been issued as fully-paid to the concessionnaires cannot be said to have been a secret. A paragraph in the money article in the "Standard" newspaper of 13th December 1886 drew attention to the transactions, and set out at length the agreement between the concessionnaires and the Company, dated 17th August 1886. Again, "Burdett's Official Intelligence," which is a publication giving particulars of companies, in its issue of February 1887, contained a description of the Hyderabad-Deccan Company, in which it was stated that "The 85,000 fully-paid shares, 15,001 to 100,000, represent the price at which the concessionnaires transferred the concession to the Company. The 15,000 shares with 5 l. paid (No. 1 to 15,000) were subscribed for by the concessionnaires. All the 100,000 shares "have an equal right to participate in the profits of the undertaking." The balance-sheet of the Company issued in July 1887 sets forth in its first entry on the credit side, "By purchase of concession, 850,000 l.," while on the other side the capital is stated as 1,000,000 l. in 100,000 shares of 10 l. each, of which 85,000 are fully-paid and 15,000 5 l. paid. This balance-sheet and the Memorandum and Articles of Association were sent to the Nizam's Government. A printed Memorandum regarding the Company, of which Mr. Watson says he had some thirty copies printed in order to give information to people asking for shares (but the statements in which obtained, perhaps, a more extended publicity than is indicated by those numbers), contained a description of the scheme, very favourably coloured. It will be observed by reference to this Memorandum that no statement is made in it which would convey to the public that the 85,000 shares had been passed to the Concessionnaires under the circumstances mentioned above. The Memorandum was headed, "Capital, 1,000,000 l. in 100,000 shares of 10 l. each, 85,000 being "fully-paid, and 15,000 on which 5 l. per share is paid."

Q. 2131, 2332.

Q. 1220.

Appendix G.

Q. 1214.

Q. 322, 2360.

Q. 2334.

Appendix II.

Q. 115-121, 503-4.

Q. 505.

Q. 2568, 2900.

Q. 2903.

Q. 2980-1.

Q. 3054, 2539.

The Company have been carrying on mining operations in the Singareni Coal Fields to the extent of raising about 150 tons a week. They have also been prospecting for diamonds and for gold. Five diamonds have been found in some refuse. No gold has been produced, but Mr. Watson relies on the reports of Mr. Hughes, Mr. Furnivall, Mr. Lowinsky, and others, stating the existence of auriferous and diamantiferous strata. Your Committee express no opinion as to the prospects of the enterprise. It was stated by Mr. Watson that no dissatisfaction with his investment has been expressed by any of the shareholders, except in one instance, but beyond this statement no evidence on the subject was brought before your Committee.

0.104.

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On

On 3rd June 1887 there were purchased on the Stock Exchange for the Nizam's Government 8,750 fully-paid and 3,750 5 l. paid shares of the Company.

Q. 1691.

The importance of this transaction, as affecting the Nizam's Government, is largely abated by the fact that since your Committee began its sittings they have been authoritatively informed that the purchase has been rescinded, by arrangement, and the money expended by the Nizam has been refunded to His Highness. The facts attending this purchase appear to be as follows.

Appendix I.

Q. 2760.

Q. 2761.

The resolution of the Nizam's Government to invest in shares of the Company was deliberately arrived at. Nawab Mahdi Ali, who gave evidence before your Committee, and who is and was at the time Political and Financial Secretary of the Nizam's Government, had placed before him a Memorandum by Abdul Huk, which, while recommending the investment, discussed very fully the objections to it that might be stated on account of its speculative nature. The Nawab Mahdi Ali recommended the proposal, and it was sanctioned by the Nizam. The Resident, Mr. Cordery, approved of the purchase, and Abdul Huk was ordered to purchase 10,000 shares at the most favourable terms up to 12 l. per share.

H. C. No. 141,
Sess. 1888, pp.
54-60.
Q. 951.

Q. 992-997.

Q. 1096.

Q. 1099-1100,

Q. 2193.

Q. 2189.

Q. 1097, 1110.

When the shares were bought Abdul Huk was in London, and he carried out the purchase in concert with Mr. Watson. The documents which record the transaction somewhat exaggerate its complexity. What was done, in fact, was that Abdul Huk received the price, and handed over to the Nizam so many of the shares which had fallen to himself in the distribution of the shares of the concessionnaires. The method adopted to accomplish this object was somewhat circuitous. Mr. Watson and Abdul Huk met in the office of the former, but their communications in respect of the purchase purport to be expressed in their letters set out in the Parliamentary Paper referred to in the margin. Mr. Watson deemed it to be necessary to consult Mr. Evans. All were agreed that the transaction, to be duly carried out, must be effected by way of sale and purchase on the Stock Exchange. Mr. Evans employed and sent in to the Stock Exchange six separate brokers, with orders to buy, and at the same time employed a broker to sell at an arranged price. Each person concerned received a commission. Mr. Watson, in his evidence, said that he considered it to be desirable that the transaction should be recorded, and Mr. Evans understood the object to be that it should be known on the Stock Exchange that the Nizam's Government was buying shares, and that this would be a good thing for the Company. The shares thus purported to be bought and sold all belonged to Abdul Huk, who, in consideration for the shares thus transferred to the Nizam, received 131,250 l. of moneys belonging to the Government of Hyderabad.

Q. 2157.

Q. 1228.

It does not appear that at the time in question shares could have been obtained at a lower rate than was actually paid to Abdul Huk. The market price was about 12 l.; and any large purchase of the shares would certainly have raised that price.

Q. 4461.

Q. 4463.

Q. 4466.

In July 1887 Lord Lawrence became a Director of the Company. He did so in consequence of a request made to him by the Directors to represent the Nizam. Knowing that the Nizam had purchased shares, and "thinking that the concession and the details of the whole thing had been through the Government of India and the India Office," Lord Lawrence purchased 500 shares on the Stock Exchange, paying upwards of 6,000 l. for them. There can be no doubt that Lord Lawrence in all his dealings and connection with the Company has acted in perfect good faith.

Your Committee, having fully considered the evidence brought before them establishing the above facts, have arrived at certain conclusions.

The history of the Hyderabad-Deccan Company shows that the concession has, in fact, proved highly lucrative to the concessionnaires; they have appropriated to themselves and dealt with 850,000 l. of the capital of the Company, but the question remains, how the 85,000 shares out of the total of 100,000 shares have passed into the hands of the concessionnaires.

It has to be admitted that concessionnaires who hand over a concession to a company are entitled to benefit to a greater or less extent by the transaction. In this case Mr. Watson urges that the concessionnaires were entitled to obtain from the Nizam's Government a large profit, and contends that the concession in its terms admitted of the 85,000 shares being appropriated by the concessionnaires as such profit.

The previous history of the railway scheme is referred to in support of this view. It was suggested by Mr. Watson that in the matter of the railway he had done the Nizam's State service, for which he had not been adequately remunerated, but after considering the services performed by the concessionnaires in promoting the railway company, and the amount received by them for such services, your Committee consider that no such deficiency in remuneration existed as to entitle the concessionnaires to obtain the mining concession.

The Committee desire to abstain from expressing any opinion on the legal rights or liabilities of the Nizam, the concessionnaires, the Company, or individual shareholders. But your Committee are of opinion that the concessionnaires have used the concession for the purpose of realising great gains not intended to be conferred on them, and that this has been done to the injury of the State from which they obtained the concession with the assistance of their partner, Abdul Huk.

It appears to your Committee that throughout the transactions which occurred before the granting of the concession no one, excepting Abdul Huk and the concessionnaires, ever contemplated that the concessionnaires should be entitled to appropriate the 850,000 l. of capital, or any part of it, to themselves. A first issue of 15,000 shares was contemplated, leaving the remainder of the capital to be issued from time to time, as the development of the gold and diamond fields might require. No one acting in the interests of the Nizam seems to have addressed himself to the question how much the concessionnaires should receive. Mr. Cordery's statement was, "that if it had been pointed out to the Government of India that the wording of the contract was such as to admit of such a transaction taking place, they would probably have pointed out to the Nizam's Government, and have suggested that the Nizam's legal advisers, who were responsible for drafting the contract, should look to that point." Q. 4241.

The fact that the concessionnaires were placed in a position to claim to appropriate to themselves 850,000 l. of the capital of the Company was the indirect effect of a set of provisions which were carefully considered with another object.

In support of the course which has been taken the concessionnaires rely on a clause in the concession which has throughout the negotiations stood in precisely the same terms, except as hereinafter mentioned, as when the concession was signed. It was originally settled by Messrs. White, Borrett & Co., under the advice of eminent counsel. Under the original suggestion the first issue of capital was to amount to 500,000 l.; such amount was afterwards altered to 150,000 l. This change was discussed with reference only to the amount which would be required for the immediate operations of the Company, and without any reference to the effect the change would have on the remuneration of the concessionnaires. But the concession at no time contained any direct provision as to what was or was not to be done with the balance of unissued capital. Thus, 150,000 l. only being necessary for application to the coal-field, and the rest of the capital not being immediately required, unfortunately no express provisions appear to have been inserted in the concession as safeguards to protect the other 850,000 l. of the capital from being immediately dealt with.

The concession having been framed under the above circumstances, the Directors of the Company entered into the agreement under which the 850,000 l. of capital was transferred to the concessionnaires. The responsibility for this transfer rests with the Directors, but it is established that no investigations were made as to the value of the property so transferred, and it was contended on behalf of the Company, and alleged by Mr. Batten, the Chairman of the Company, that it was not the duty of anyone to inquire whether the considera-

tion given by the concessionnaires to the Company was or was not of a value equal to the sum received by them. It may be doubtful what was the value of the rights under the concession transferred to the Company, but whatever that value may be, no steps were taken to ascertain it.

It appears to your Committee that the transfer of the 85,000 shares to the concessionnaires under the circumstances mentioned above has affected, and will affect, injuriously the interests of the State of Hyderabad. If 85,000 shares still remained unpaid, capital could, from time to time, be obtained by further issues of shares beyond "the first issue" of 15,000. Such capital so obtained would in the main, be expended within the State of Hyderabad, which would necessarily be benefited by such expenditure. But the money which the Nizam and the Government of Hyderabad seem to have regarded as destined to develop the Deccan has passed into the possession of the concessionnaires and their associates. The whole of the shares having been issued, the means of obtaining capital beyond the 1,000,000*l.*, the now capital of the Company, can only be regarded as of a speculative character, dependent upon the estimation in which the enterprise may hereafter be regarded by the public, from whom the future means of working the gold and diamond fields will have to be sought.

The circumstances under which the mining concession was obtained show that serious risks to the interests of Native States attend the direct access of London speculators to Native Ministers. In the present case, the initial arrangements were made between Abdul Huk and the concessionnaires; and it was after a settled draft had been prepared under his instructions that particulars were considered by British officials. When the matter came before the Resident, the Government of India, and the Secretary for India, no one of them was aware of the circumstances relating to Abdul Huk which called for a peculiar vigilance; and, apart from this, it is clear that the terms of the concession were subjected to less complete review than they would have gone through had they not been already agreed upon by the accredited negotiator of the Nizam. This result is to be regretted; and is it apparent that if more effective and direct British assistance and advice had been given to the Government of Hyderabad the events that have occurred could not have taken place.

It appears to your Committee that so long as the Government of India interferes with the proceedings of a Native State in business matters, such as granting an important concession, great care should be taken fully to fulfil the responsibility thus assumed; and that there will be considerable difficulty in discharging such duty by the Indian Government if the communications between the Government of the Native State and speculators be allowed to be of a direct character.

6 August 1888.

PROCEEDINGS OF THE COMMITTEE.

Friday, 1st June 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.
Sir Richard Temple.
Mr. M'Lagan.

Mr. Slagg.
Mr. Bristowe.
Mr. Solicitor General for Scotland.

The Committee deliberated.

Question, "That the Evidence of all Witnesses examined before this Committee (except those who shall be exempted by Special Resolution) shall be taken upon oath, in accordance with the powers conferred upon Committees of the House of Commons by 34 & 35 Vict. c. 83"—(The Chairman),—put, and agreed to.

The Order of the House, 17th May, read, as follows:

"Ordered, That the Select Committee on East India (Hyderabad Deccan Mining Company) have leave to hear Counsel (to such extent as they shall think fit) upon the matters referred to them."

The Committee decided—

That the Committee propose retaining the conduct of the inquiry referred to them entirely in their own hands, but will accept the assistance of Counsel when they think it necessary.

That all Witnesses, except as hereinafter mentioned, will be called and examined by the Committee.

That if the Evidence of any Witness shall affect the interests of any person or body represented by Counsel, application may be made to the Committee for leave to cross-examine such Witness.

That if it be desired to call any Witness not examined by the Committee, Counsel must apply for permission to call such Witness, who will be examined as the Committee may think fit.

That the extent to which Counsel may address the Committee will be determined at a later stage of the inquiry.

Messrs. Pember, Q.C., and Lewis Cowan appeared as Counsel for the Hyderabad Deccan Company, Limited.

Mr. Myburgh appeared as Counsel for Mr. Henry Parkinson Sharp.

Mr. Brown appeared as Counsel for Mr. James Grahame Stewart.

Messrs. Littler, Q.C., and Cripps appeared as Counsel for Mr. Witham Clarence Watson.

Sir Horace Davey, Q.C., and Messrs. Inverarity and Trevor White appeared as Counsel for Abdul Huk.

Messrs. J. D. Mayne, Eardley Norton, and the Hon. A. Lyttleton appeared as Counsel for the Nizam of Hyderabad's Government.

Mr. Francis Leven, Mr. Lauchlan L. Hall, and Mr. George H. M. Batten were sworn, and examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 5th June 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Solicitor General for Scotland.	Mr. M'Lagan.
Mr. Bristowe.	Sir Richard Temple.
Mr. Labouchere.	

Mr. *Lauchlan L. Hall* was further examined.

Mr. *R. Stanton Evans* and Mr. *Charles Albert Winter* were sworn, and examined.

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 8th June 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Sir Richard Temple.	Mr. Bristowe.
Mr. Labouchere.	Mr. Slagg.
Mr. Solicitor General for Scotland.	Mr. M'Lagan.

Mr. *William Clarence Watson* was sworn, and examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 12th June 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.	Mr. Slagg.
Sir Richard Temple.	Mr. Bristowe.
Mr. M'Lagan.	Mr. Solicitor General for Scotland.

Resolution of 1st June:—

"That the evidence of all Witnesses examined before this Committee (except those who shall be exempted by special Resolution) shall be taken upon oath, in accordance with the powers conferred upon Committees of the House of Commons by 34 & 35 Vict. c. 83," read.

The Committee resolved—

"That Nawab Mohsin ool Moolk Bahadoor be exempted from the foregoing Resolution, and be examined unsworn."

Nawab Mohsin ool Moolk Bahadoor, examined through an interpreter.

Mr. *William Clarence Watson* was further examined.

Mr. *Fitzgerald*, sworn, and examined.

[Adjourned till Friday next, at Twelve o'clock.]

Friday, 15th June 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.	Mr. Solicitor General for Scotland.
Sir Richard Temple.	Mr. Bristowe.
Mr. M'Lagan.	Mr. Slagg.

Mr. *John Graham Cordery* and General *Strachey* were sworn, and examined.

[Adjourned till Tuesday next, at Twelve o'clock.]

Tuesday, 19th June 1888.

MEMBERS PRESENT:

Mr. Solicitor General for Scotland.	Mr. M'Lagan.
Mr. Labouchere.	Mr. Bristowe.
Sir Richard Temple.	Mr. Slagg.

In the absence of the Chairman, Mr. SOLICITOR GENERAL for SCOTLAND was called to the Chair, afterwards Sir HENRY JAMES in the Chair.

General *Strachey*, Mr. *William Clarence Watson*, and Mr. *John G. Cordery*, were further examined.

Sir *Theodore Hope* was sworn, and examined.

Nawab Mohsin ool Moolk Bahadoor was further examined.

Mr. *William Morris*, Mr. *William Henry Bishop*, Lord *Lawrence* (a Member of the House of Lords), and Mr. *William Morgans*, were sworn, and examined.

[Adjourned till Friday next, at Two o'clock.]

Friday, 22nd June 1888.

MEMBERS PRESENT:

Mr. Solicitor General for Scotland.	Mr. Labouchere.
Mr. Bristowe.	Mr. M'Lagan.
Mr. Slagg.	Sir Richard Temple.

In the absence of the Chairman, Mr. SOLICITOR GENERAL for SCOTLAND was called to the Chair, afterwards Sir HENRY JAMES in the Chair.

Sir *Edward Bradford* was sworn, and examined.

Mr. *Mayne* addressed the Committee on behalf of the Nizam of Hyderabad.

Sir *Horace Davey* addressed the Committee on behalf of Abdul Huk.

Mr. *Littler* addressed the Committee on behalf of Mr. *Watson*.

Mr. *Pember* addressed the Committee on behalf of the Hyderabad Deccan Company.

[Adjourned till Thursday, 26th July, at a Quarter past Four o'clock.]

Thursday, 26th July 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Slagg.
Sir Richard Temple.
Mr. M'Lagan.

Mr. Bristowe.
Mr. Labouchere.
Mr. Solicitor General for Scotland.

The Committee deliberated.

[Adjourned till To-morrow, at a Quarter past Four o'clock.]

Friday, 27th July 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.
Sir Richard Temple.
Mr. M'Lagan.

Mr. Solicitor General for Scotland.
Mr. Bristowe.
Mr. Slagg.

The Committee deliberated.

[Adjourned till Monday next, at Twelve o'clock.]

Monday, 30th July 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.
Sir Richard Temple.
Mr. M'Lagan.

Mr. Solicitor General for Scotland.
Mr. Bristowe.

The Committee deliberated.

[Adjourned till Wednesday next, at Twelve o'clock.]

Wednesday, 1st August 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.
Mr. M'Lagan.

Mr. Bristowe.
Sir Richard Temple.

The Committee deliberated.

[Adjourned till Friday next, at Four o'clock.]

Friday, 3rd August, 1888.

MEMBERS PRESENT:

Sir HENRY JAMES in the Chair.

Mr. Labouchere.
Mr. M'Lagan.
Mr. Solicitor General for Scotland.

Mr. Bristowe.
Sir Richard Temple.

DRAFT REPORT, proposed by the *Chairman*, read the first time, as follows:—

"1. YOUR Committee have heard evidence on the matters referred to them. An application was made at the commencement of the proceedings, by certain parties interested in the inquiry, to be represented by counsel. Leave having been obtained from the House, counsel were allowed to attend and to take part in the examination of witnesses on certain points. Counsel also addressed your Committee at the close of the evidence. The parties represented by counsel were—

His Highness the Nizam.
Sirdar Diler Jung (Abdul Huk).
The Hyderabad Deccan Company, Limited.
Mr. William Clarence Watson.
Mr. Henry Parkinson Sharp.
Mr. James Graham Stewart.

"2. The following facts were proved before your Committee:—On the 7th January 1886, by an indenture of that date, a concession was granted by the Government of Hyderabad to William Clarence Watson, of 7, Great Winchester-street, London, merchant, and John Stewart, of 26, Throgmorton-street, London (who is since deceased). *H. C. No. 338, Session 1887, pp. 26-33.*

"3. It will be seen that the concession confers upon the concessionnaires (Clause 17) the exclusive right of prospecting or testing for minerals of all kinds throughout the territories of the Nizam, until 31st December 1891. The concessionnaires also obtain the right to select, during that period, such mines or fields as they desire to acquire for mining operations, and to obtain from the Nizam's Government a lease or leases of such mines or fields as they may select for a term of 99 years from the date of the concession, at royalties to be fixed (Clauses 17 and 11) by mining engineers, one to be appointed by each of the parties, or, in default of agreement, by a mining engineer to be appointed by the Government of India. The fixing and determining royalties was to be based and founded on the general principle of a fair rent. Such, generally stated, are the rights applicable to minerals of all kinds, including gold, silver, or precious stones, conferred on the concessionnaires. *Ibid, p. 32.*

"4. The concessionnaires came under obligation forthwith to work certain coal-fields, called the Singareni coal-fields. The indenture declared (Clause 3) that the first object of the company was to work the coal-field at Singareni; and that the company were to open up the mine in such a manner that they should be in a position to supply (if so required) not less than 500 tons of good coal per week by the date of the opening of the railway communication to either Hyderabad or Bezwaru, or by the 30th June 1888 at latest. By the indenture (Clause 11A) it was provided that the royalties in respect of the Singareni Coal-field should be computed on quantities won, and should, if the sales were less than 100,000 British tons per annum, be fixed at eight annas per ton. Any excess over the above quantity might be charged with a higher rate of royalty up to a limit of one rupee per ton. *Ibid, pp. 32, 28.*

"5. The two first clauses of the indenture contain the provisions relating to the formation of a limited company to work the concession. The first clause requires the concessionnaires to form in London a company under the Companies Acts, 1862 to 1880. This was to be done within six months after capital had been raised for the construction of a railway to Singareni. The capital of the Company was to be not less than 1,000,000 l., with power to increase the capital by an issue of debentures, and otherwise if necessary. *Ibid, p. 28.*

"6. If the Company was formed within the stipulated period, and if before the expiration of that period 150,000 l. of its share capital at the least was subscribed for, and 75,000 l. therefore actually paid up, and if the Company adopted the concession, the concessionnaires would be entitled to transfer to the Company the benefits of the concession. On these things being done and a transfer made and notified to the Nizam's Government, the concessionnaires were to be released from their obligations under the indenture. *Ibid, p. 26.*

"7. The preamble of the concession makes mention of the previous formation of another company for the construction of a railway connecting the northern and southern frontiers of the State of Hyderabad. In order to state the circumstances under which the

the mining concession was obtained, it is necessary briefly to refer to the history of the formation of this railway company.

"8. Previous to the formation of this company there existed in the Nizam's territories a somewhat limited railway system. The extension of the railways had been mooted, and this was an object approved of by the Government of India. At first, the project of extending the railways was coupled with a proposal for a mining concession. This double scheme was broached by Mr. Charles Albert Winter in 1881. Mr. Winter was then a solicitor in Bombay, and his firm had acted professionally for the Nizam's Government in 1874 in regard to the old railway system. He is brother-in-law to Mr. William Clarence Watson, one of the concessionnaires; and in those matters Mr. Winter acted, if not by Mr. Watson's authority, at least in reliance on Mr. Watson's co-operation, should business transactions takes place. In 1881 Mr. Winter met with Abdul Huk, thereafter Sirdar Diler Jung, at Hyderabad, and negotiated with him on the subject of the railway.

"9. Abdul Huk was at this time head of the Home Department, and Director of Railways and Mines in Hyderabad. Sir Salar Jung, the elder, was, until his death in February 1883, the Prime Minister of Hyderabad. From beginning to end of the negotiations, regarding both the railway and the mines, Abdul Huk was the accredited agent of the Nizam's Government. He and Mr. Winter came to an understanding, of which the main features were that Mr. Winter and his friends should form a company, to find 2,000,000 £ for forming extensions of the railways, 5 per cent. on this sum being guaranteed by the Nizam's Government for five years. Mr. Winter and his friends were also to receive a concession of a mining monopoly in the Deccan. The proposal was ultimately referred to the Viceroy, and the Nizam's Government was informed that the persons connected with it were not of sufficient financial standing to render it advisable for that Government to enter into such important monetary relations with them.

"10. Mr. Winter stated to the Committee that he and Abdul Huk arranged that the latter should receive for his own uses '120,000 £ for the railway,' and also one-fourth interest in the mining concession. Abdul Huk produced to Mr. Winter a letter, dated 5th January 1882, apparently signed by Sir Salar Jung, written 'to assure you that I shall have no objection to your receiving any remuneration on the railway and mining schemes, with which they may reward your service, and that I shall consider whatever you receive from them as only your due.' The relation thus established between Abdul Huk and the proposed concessionnaires was not, at any period of the subsequent negotiations, disclosed by either of them to the Government either in England or India.

"11. Abdul Huk was subsequently sent to London to endeavour to find someone ready to finance the railroad scheme, and to make some arrangement in respect to the mining concession. The two schemes were left entirely separate. After submitting the railroad proposals to Messrs. Rothschild and to Messrs. Morton, Rose & Co., a railroad company was ultimately floated by Mr. Watson, on an agreement that the Nizam should give a guarantee of 5 per cent. for 20 years upon the 2,000,000 £ which was to be paid to him for the railway, and of which he was to take a portion in the shares of the contemplated railroad company which was to provide the 2,000,000 £. For floating this new railroad company Mr. Watson received 100,000 £, of which he stated that he expended in costs of promotion 93,000 £, and 83,000 £ was subsequently paid to Abdul Huk for his services in connection with the negotiation.

"12. The attitude of the British Government during those negotiations of Abdul Huk is indicated in two Despatches written, one by the Marquis of Hartington, dated 24th May 1882, and the other by the Earl of Kimberley, dated 5th July 1883, on the occasion, in each instance, of Abdul Huk announcing his arrival in London on his mission. By the Despatch of 24th May 1882 Abdul Huk was informed by the Secretary of State for India that he was at full liberty to act upon the instructions of the Nizam; that the Secretary of State would be ready at any time during the progress of the negotiations to give him such advice and assistance as he might desire, and would expect to be informed of any engagements into which he might purpose to enter before their actual completion; and that the Secretary of State would recognise no liability, financial or otherwise, in relation to any Company or persons with whom Abdul Huk might negotiate, excepting so far as a specific contract might be entered into directly between the Company, the Secretary of State, and the Nizam's Government, with the intention of defining such liabilities. The Government of India, during the negotiations, by a Despatch of 15 March 1883, laid it down that they, as the paramount power in India, were bound to satisfy themselves in transactions of this nature; (1) that the Native Government fully realised its responsibility and obligations; (2) that every reasonable precaution had been taken to protect its interests; (3) that the European contractors distinctly understood that the Government of India disclaim all responsibility whatsoever in respect of the soundness of the basis on which their proposals may be founded, and of the general success of the enterprise to which such proposals related.

"13. Meantime the project of a mining concession proceeded separately. In 1883 Abdul Huk, having been informed by the India Office that the proposal for the mining concession put forward by Mr. Watson ought to be submitted to advisers of experience, instructed

instructed Messrs. White, Borrett & Co. to act on behalf of his Government in settling the terms of a mining concession with Mr. Watson and Mr. Stewart. The draft of a concession was accordingly prepared, and, after negotiations which lasted several months, was settled by Messrs. White, Borrett & Co., with the advice of eminent counsel (Mr., now Lord, Macnaghten, and Mr. Blakesley). But Abdul Huk was informed by the India Office that it would be desirable that the project should be submitted to the Nizam's Government, and that further negotiations in respect to it should take place at Hyderabad before it was finally adopted.

"14. Abdul Huk returned to Hyderabad with the draft of the concession. It was considered by the Nizam's Minister, Salar Jung the younger, who canvassed several points in the draft, and then submitted it as accepted by him to the Resident, by whom it was transmitted to the Government of India at Calcutta, together with the letter of Salar Jung, dated 14th January 1885. The Government of India carefully considered the draft, and approved generally of it, but they proposed a number of alterations in various clauses. Two memoranda were forwarded to the Resident, one describing the alterations suggested, while the other explained the grounds on which they were recommended. The Resident was requested to recommend to the Minister of the Nizam and to the agent of the Company that the agreement should be concluded; that is, that the concession should be granted on terms embodying the suggested alterations. Such alterations, together with some further modifications, were agreed to, and the concession was signed on 7th January 1886.

"15. Upon the concession being signed it was forwarded to the Government of India. The fact of the execution of the concession was communicated to the Secretary of State for India by a telegram dated 29th January 1886. On the 2nd of February 1886 a letter was sent by the Governor General and Council to the Secretary of State for India, in which the following sentence occurs: 'We have considered, in connection with the observations in the concluding portion of the 23rd paragraph of the Despatch, No. 19, Railway, dated 21st February 1884, from the Right Honourable the Secretary of State for India, that any liabilities which might be incurred in pursuance of this agreement, under 37 Geo. 3, c. 142, s. 28, would be removed by the formal "consent and approbation" of the Governor General in Council "in writing," but as your Lordship has suggested that the previous approval of the Secretary of State is desirable to contracts of the nature of this agreement, we would solicit that we may be favoured with this sanction by telegram.' The subject of the concession was considered by the Secretary of State for India in Council, and certain conditions being imposed, they were communicated to the concessionnaires and agreed to by them. On 27th July 1886 the sanction of the Secretary of State, conditional on such modifications, was intimated to Mr. Watson in London.

"16. The Hyderabad Deccan Company, Limited, was forthwith registered, its objects being to acquire and work the concession. The fifth clause of the Memorandum of Association was as follows:—

'5. The capital of the Company is 1,000,000 £, in 100,000 shares of 10 £ each. Any shares in the capital of the Company may be issued as fully, or in part paid up, in payment for the said concession, or any other property which the Company is authorised to acquire; and the shares of which the capital shall from time to time consist may be divided into different classes, with such preferences, priorities, restrictions, or special incidents as may from time to time be prescribed by the Articles and Special Resolutions of the Company.'

"17. The Articles of Association contained the following Articles:—

'Article 3. The Board may make and carry into effect any agreements with any company, association, or person, whether a Director or Promoter of the Company or not, for any of the objects referred to in the Memorandum of Association, and any such person shall, notwithstanding that he is a Director or Promoter of the Company, be entitled to retain the benefit or profit of the agreement.

'Article 12. The Board shall consist of such number of Directors as a general meeting shall from time to time determine, and until and subject to such determination shall consist of any number not more than seven nor less than three.

'Article 14. The first three Directors of the Company shall be appointed by the subscribers of the Memorandum of Association of the Company. The Board may at any time before the ordinary meeting to be held in the year 1888 appoint duly qualified persons as additional Directors, so that the total number of Directors shall not at any one time exceed seven without the authority of a general meeting. The first Directors, and any others appointed under this Article (except such of them as shall in the meantime vacate their offices under any of the provisions of these presents), shall continue in office for two years from the incorporation of the Company.'

"18. The persons subscribing the Memorandum were, besides the two concessionnaires, Messrs. Winter, Hemmerde, Batten, Pearce, and Milne. It is sufficient at present to say that those gentlemen were all friends of or employed by the concessionnaires.

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"19. On

Despatch, Foreign Secretary at Calcutta, to the Resident of Hyderabad, 17th February 1882. Appendix A. Q. 3681. Q. 1299. Q. 1245. Q. 1242. Q. 1244. Q. 1323. Q. 1752-4. Q. 1248 et seq. Q. 2778-2782.

Q. 1275-1309.

Q. 2762. Letter of 17th February 1882, Government of India. Appendix A.

Q. 1290.

Q. 1300-3. Appendix B.

Q. 3683.

Q. 1343.

Appendix C. H. C. No. 338, Sess. 1887, p. 9. Q. 3669.

Appendix D. Q. 3675.

Q. 3693.

Q. 1343.

H. C. No. 338, Session 1887, pp. 4, 33.

Ibid. p. 5.

H. C. No. 338, Session 1887, p. 20.

Ibid. p. 20.

Ibid. p. 21.

Ibid. p. 20.

H. C. No. 338, Sess. 1887, pp. 3, 4.

Ibid. pp. 4, 5.

Ibid. p. 36.

Minutes of
Hyderabad Deccan
Company.

"19. On 10th August 1886 these gentlemen met and elected as directors, Mr. Batten, Mr. Hemmerde, and Mr. Milne. On the same day the directors met, and the minutes of the Board record the following proceedings:—

"The Agreement between the concessionnaires, the applicants for 15,000 shares of the Company, being the agreement to transfer the concession to the Company, was submitted and explained and approved. It was resolved that the common seal of the Company be affixed thereto, in accordance with the Articles of Association, when and so soon as 5*l.* per share has been paid by the allottees of the 15,000 shares to the Company's bankers.

"The application for the 15,000 shares by the persons described in the schedule to the above-mentioned agreement was considered, and the shares numbered 1 to 15,000, inclusive, were allotted as follows:—

John Stewart	-	-	-	-	-	-	5,000
Henry Parkinson Sharp	-	-	-	-	-	-	5,000
William Clarence Watson	-	-	-	-	-	-	4,599
Charles Albert Winter	-	-	-	-	-	-	100
George H. M. Batten	-	-	-	-	-	-	100
James Hemmerde	-	-	-	-	-	-	100
John Martyn Milne	-	-	-	-	-	-	100
Richard Pearce	-	-	-	-	-	-	1
							<u>15,000</u>

"Resolved,—

"That the National Provincial Bank of England, Limited, 112, Bishopsgate-street, E.C., be appointed the bankers of the Company.

"Resolved,—

"That the allottees be requested to pay forthwith to the Company's bankers 5*l.* per share, and that allotment letters be prepared and sent to them. The secretary submitted an agreement between the Company and Messrs. Watson and Stewart, prepared in pursuance of the before-mentioned agreement in relation to the 85,000 shares to be numbered 15,001 to 100,000, and to be allotted as fully-paid shares to them.

"Resolved,—

"That the same be approved, and the common seal of the Company affixed thereto after the first-named agreement has been sealed, and that the same be then duly filed with the Registrar of Joint Stock Companies."

"20. Of these directors, Mr. Batten originally obtained and paid for 100 of the shares with 5*l.* paid on them. In October 1886 Mr. Watson paid Mr. Batten 500*l.* for those 100 shares, and at the same time transferred to Mr. Batten 100 fully paid-up shares. At the time of this transfer, and since, no payment for these last-mentioned shares has been made, but Mr. Batten stated that if the Company paid a dividend he was to pay Mr. Watson for them, or to return them. Mr. Hemmerde, on 3rd October, received from Mr. Watson 1,000 fully paid-up shares. Dealings in the shares had previously taken place at a price of 9*l.* per share. As accounting for this gift Mr. Watson stated, 'Mr. Hemmerde was an old friend of mine, and I gave these shares to him (I hoped they would be worth 10,000*l.*) for many services he had rendered to me for 20 years previously.'

"21. Of the two agreements thus approved the former effected the transfer of the concession to the Company, the allotment to the persons named of the 15,000 shares with 5*l.* paid, and the allotment of the 85,000 fully-paid being terms of the bargain. The other agreement between the Company and Mr. Watson and Mr. Stewart set forth that it had been agreed that the concessionnaires should assign and transfer to the Company the concession, and that in exchange the Company should allot to the concessionnaires 85,000 shares of 10*l.* each in the Company, which shares should be deemed for all purposes to be fully paid up. It was, therefore, thereby agreed that the Company should allot to the concessionnaires or their nominees 85,000 fully paid-up shares in the Company, and that the shares should be numbered 15,001 to 100,000, inclusive, and should be accepted by the concessionnaires in full satisfaction of all claims and demands whatsoever of the concessionnaires in respect of the transfer of the concession. These agreements had been drawn by the solicitors of the Company on the instructions of the concessionnaires."

"22. The 5*l.* per share on the 15,000 shares were duly paid into the Company's bank; and thereupon the two agreements were sealed, and the contract as to the allotment of 85,000 fully paid-up shares was registered with the Registrar of Joint Stock Companies. These conditions having been fulfilled, the directors (Mr. Batten, Mr. Hemmerde, and Mr. Milne), on 19th August 1886, proceeded to allot to Mr. Watson and Mr. Stewart the 85,000 shares as fully paid-up, and certificates were signed, sealed, and handed to the allottees.

"23. The

"23. The shares of the Company having been distributed as mentioned above, Mr. Watson and Mr. Stewart were, on 24th August 1886, appointed additional directors; on the same day Mr. Milne resigned his directorship to become Secretary. On 2nd November Mr. Henry Parkinson Sharp was elected a director, and Mr. Hemmerde retired from the direction on 10th November 1886.

"24. The 85,000 shares issued as paid-up, when received by Mr. Watson and Mr. Stewart, were by them divided among the partners in the enterprise, viz., Mr. Watson, Mr. Stewart, Abdul Huk, each a fourth; Mr. Winter, Mr. Henry Parkinson Sharp, and others participating in the remaining fourth. Abdul Huk's name does not appear as an allottee or transferee of shares in the Minute Book; but the proportion of the shares to be received by him were transferred to Mr. Winter; they were then turned into share warrants to bearer; and these latter were lodged with the bankers of Abdul Huk on his account. At the same time he received one-fourth share of the 15,000 shares, and at a later date he paid through Mr. Winter 5*l.* per share upon them.

"25. Before the allotment of shares no reports upon the value of the rights conceded were received by the directors or promoters of the Company. At a later date, and when dealings on the Stock Exchange were taking place on the shares, such reports were received from Mr. Hughes and Mr. Furnivall. Mr. Hughes is a Government official in India, being one of 'the Superintendents of the Survey,' and had been employed as such in the geological examination of Hyderabad and contiguous districts. The Secretary of State for India, upon being applied to, granted permission for Mr. Hughes to be employed and paid by the Company, in order 'to see really what was the value of the concession they had got from the Nizam.' Before any reports were made, in May 1887, Mr. Watson transferred to Mr. Hughes 200 fully paid-up shares and 200 shares with 5*l.* paid on them. At the then market price these 400 shares were worth 3,200*l.* Mr. Hughes paid Mr. Watson 1,000*l.* for them. On 4th July Mr. Hughes re-transferred the 200 fully paid-up shares to Mr. Watson, receiving 2,390*l.* for them. The 200 shares, with 5*l.* paid on them, were retained by Mr. Hughes. Mr. Watson stated that this transaction amounted to a gift by him to Mr. Hughes, but that 'it was not (made) to make reports,' but that he (Mr. Hughes) might work and throw his whole energies into it. Reports were also received from Mr. Furnivall. This gentleman was an engineer, formerly in the employ of the Government of India, but now retired upon a pension. Mr. Watson gave Mr. Furnivall 500 shares for nothing. These shares were sold by Mr. Furnivall at 11*l.* per share, therefore realising 5,500*l.*

"26. It is to be observed that the share in the concession received by Abdul Huk is in accordance with the terms of the arrangement made with Mr. Winter in 1881, as above set forth.

"27. The shares of the Company began to change hands, but not to any considerable extent prior to the first statutory meeting of the Company on 26th November 1886. At that time Mr. R. Stanton Evans, a gentleman engaged in financial operations in the City, began to sell the shares for Mr. Watson on the terms that Mr. Watson should pay to Mr. Evans 10*s.* on every share sold by him 'over par and up to a certain premium,' and the shares were freely bought and sold on the Stock Exchange from that time. Of the 85,000 shares issued as fully paid-up, about 55,000 have been sold to the public. There are now about 700 shareholders. The prices of the shares ranged, during the period between September 1886 and April 1888, from 13*l.* to 5*l.* Mr. Watson by dealing in his fourth of the 85,000 shares and by transactions in buying and selling shares in the market, had, at the time when he gave his evidence, realised 209,300*l.* (out of which he had paid in brokerage and commissions 20,829*l.*), and he still retained 5,559 shares. Mr. Watson had also given away many shares.

"28. It should be remarked that whilst numerous transactions in these shares took place on the Stock Exchange, no application for a settlement or quotation was made to the committee of that body, and although the evidence shows that operations in the shares of companies for which no such application is made frequently occur on these occasions, the rules and regulations of the Stock Exchange are entirely disregarded, and it will be observed that had a settlement been applied for and granted in the shares of this Company, the 85,000 shares allotted to the concessionnaires would have been excluded from that settlement, not being a good delivery on the Stock Exchange.

"It will also be observed that had a quotation been applied for, it would not have been granted as the rules and conditions of the Stock Exchange with regard to these matters had not been complied with.

"29. No prospectus of the Company was issued; and the title 'prospectus' was disclaimed before your Committee for the Memorandum which is afterwards mentioned. The method adopted by the sellers seems to have been not to place before the public specific information, but to stimulate interest by affording hints and glimpses of the magnitude of the enterprise. At the same time, the fact that the 85,000 shares had been issued as fully paid to the concessionnaires cannot be said to have been a secret. A paragraph in the money article in the 'Standard' newspaper of 13th December 1886 drew attention to the transactions, and set out at length the agreement between the concessionnaires and the Company, dated 17th August 1886. Again, 'Burdett's Official Intelligence,' which is a publication giving particulars of companies, in its issue of February 1887

Q. 629.
Q. 629.

Q. 632, 633.
Q. 486.
Q. 4124.
Q. 4116.

Q. 4199.

Q. 4117.

Appendix E.

Appendix F.

Q. 583, 589.

Q. 767.

Q. 1639.
Q. 1651-6.

Q. 168.

Q. 4051.

Q. 4052.

Q. 4138.

Q. 4139.

Q. 4146.

Q. 4153.

Q. 4155.

Q. 4156.

Q. 2852.

Q. 4175.

Q. 4179.

Q. 877.

Q. 2114.

Q. 803.

Q. 875-944.

Q. 2117.

Q. 1152.

Q. 2393

Q. 3576-3582.

Q. 3.

Q. 20.

Q. 10.

Q. 2131, 2532.

Q. 1220.

Appendix G.

Q. 1214.

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1887

1887 contained a description of the Hyderabad-Deccan Company, in which it was stated that 'The 85,000 fully-paid shares, 15,001 to 100,000, represent the price at which the concessionnaires transferred the concession to the Company. The 15,000 shares with 5 l. paid (No. 1 to 15,000) were subscribed for by the concessionaires. All the 100,000 shares have an equal right to participate in the profits of the undertaking.' The balance-sheet of the Company issued in July 1887 sets forth in its first entry on the credit side, 'By purchase of concession, 850,000 l.,' while on the other side the capital is stated as 1,000,000 l. in 100,000 shares of 10 l. each, of which 85,000 are fully-paid and 15,000 5 l. paid. This balance-sheet and the Memorandum and Articles of Association were sent to the Nizam's Government. A printed Memorandum regarding the Company, of which Mr. Watson says he had some thirty copies printed in order to give information to people asking for shares (but the statements in which obtained, perhaps, a more extended publicity than is indicated by those numbers), contained a description of the scheme, very favourably coloured. It will be observed by reference to this Memorandum that no statement is made in it which would convey to the public that the 85,000 shares had been passed to the concessionnaires under the circumstances mentioned above. The Memorandum was headed, 'Capital, 1,000,000 l. in 100,000 shares of 10 l. each, 85,000 being fully-paid, and 15,000 on which 5 l. per share is paid.'

"30. The Company have been carrying on mining operations in the Singareni Coal Fields to the extent of raising about 150 tons a week. They have also been prospecting for diamonds and for gold. Five diamonds have been found in some refuse. No gold has been produced, but Mr. Watson relies on the reports of Mr. Hughes, Mr. Furnivall, Mr. Lowinsky, and others, stating the existence of auriferous and diamantiferous strata. Your Committee express no opinion as to the prospects of the enterprise. It was stated by Mr. Watson that no dissatisfaction with his investment has been expressed by any of the shareholders, except in one instance, but beyond this statement no evidence on the subject was brought before your Committee.

"31. On 3rd June 1887 there were purchased on the Stock Exchange for the Nizam's Government 8,750 fully-paid, and 3,750 5 l. paid shares of the Company.

"32. The importance of this transaction, as affecting the Nizam's Government, is largely abated by the fact that since your Committee began its sittings they have been authoritatively informed that the purchase has been rescinded, by arrangement, and the money expended by the Nizam has been refunded to His Highness. The facts attending this purchase appear to be as follows.

"33. The resolution of the Nizam's Government to invest in shares of the Company was deliberately arrived at. Nawab Mahdi Ali, who gave evidence before your Committee, and who is and was at the time Political and Financial Secretary of the Nizam's Government, had placed before him a Memorandum by Abdul Huk, which, while recommending the investment, discussed very fully the objections to it that might be stated on account of its speculative nature. The Nawab Mahdi Ali recommended the proposal, and it was sanctioned by the Nizam. The Resident, Mr. Cordery, approved of the purchase, and Abdul Huk was ordered to purchase 10,000 shares at the most favourable terms up to 12 l. per share.

"34. When the shares were bought Abdul Huk was in London, and he carried out the purchase in concert with Mr. Watson. The documents which record the transaction somewhat exaggerate its complexity. What was done, in fact, was that Abdul Huk received the price, and handed over to the Nizam so many of the shares which had fallen to himself in the distribution of the shares of the concessionnaires. The method adopted to accomplish this object was somewhat circuitous. Mr. Watson and Abdul Huk met in the office of the former, but their communications in respect of the purchase purport to be expressed in their letters set out in the Appendix to this Report. Mr. Watson deemed it to be necessary to consult Mr. Evans. All were agreed that the transaction, to be duly carried out, must be effected by way of sale and purchase on the Stock Exchange. Mr. Evans employed and sent in to the Stock Exchange six separate brokers, with orders to buy, and at the same time employed a broker to sell at an arranged price. Each person concerned received a commission. Mr. Watson, in his evidence, said that he considered it to be desirable that the transaction should be recorded, and Mr. Evans understood the object to be that it should be known on the Stock Exchange that the Nizam's Government was buying shares, and that this would be a good thing for the Company. The shares thus purported to be bought and sold all belonged to Abdul Huk, who, in consideration for the shares thus transferred to the Nizam, received 131,250 l. of moneys belonging to the Government of Hyderabad.

"35. It does not appear that at the time in question shares could have been obtained at a lower rate than was actually paid to Abdul Huk. The market price was about 12½ l.; and any large purchase of the shares would certainly have raised that price.

"36. In July 1887 Lord Lawrence became a Director of the Company. He did so in consequence of a request made to him by the Directors to represent the Nizam. Knowing that the Nizam had purchased shares, and 'thinking that the concession and the details of the whole thing had been through the Government of India and the India Office,' Lord Lawrence purchased 500 shares on the Stock Exchange, paying upwards of 6,000 l.

6,000 l. for them. There can be no doubt that Lord Lawrence in all his dealings and connection with the Company has acted in perfect good faith.

"37. Your Committee, having fully considered the evidence brought before them establishing the above facts, have arrived at certain conclusions.

"38. The history of the Hyderabad-Deccan Company shows that the concession has, in fact, proved highly lucrative to the concessionnaires; they have appropriated to themselves and dealt with 850,000 l. of the capital of the Company, but the question remains, how the 85,000 shares out of the total of 100,000 shares have passed into the hands of the concessionnaires.

"39. It has to be admitted that concessionnaires who hand over a concession to a company are entitled to benefit to a greater or less extent by the transaction. In this case Mr. Watson urges that the concessionnaires were entitled to obtain from the Nizam's Government a large profit, and contends that the concession in its terms admitted of the 85,000 shares being appropriated by the concessionnaires as such profit.

"40. The previous history of the railway scheme is referred to in support of this view. It was suggested by Mr. Watson that in the matter of the railway he had done the Nizam's State service, for which he had not been adequately remunerated, but after considering the services performed by the concessionnaires in promoting the railway company, and the amount received by them for such services, your Committee consider that no such deficiency in remuneration existed as to entitle the concessionnaires to obtain the mining concession.

"41. The Committee desire to abstain from expressing any opinion on the legal rights or liabilities of the Nizam, the concessionnaires, the Company, or individual shareholders. But your Committee are of opinion that the concessionnaires have used the concession for the purpose of realising great gains not intended to be conferred on them, and that this has been done to the injury of the State from which they obtained the concession with the assistance of their partner, Abdul Huk.

"42. It appears to your Committee that throughout the transactions which occurred before the granting of the concession no one, excepting Abdul Huk and the concessionnaires, ever contemplated that the concessionnaires should be entitled to appropriate the 850,000 l. of capital, or any part of it, to themselves. A first issue of 15,000 shares was contemplated, leaving the remainder of the capital to be issued from time to time, as the development of the gold and diamond fields might require. No one acting in the interests of the Nizam seems to have addressed himself to the question how much the concessionnaires should receive. Mr. Cordery's statement was, 'that if it had been pointed out to the Government of India that the working of the contract was such as to admit of such a transaction taking place, they would probably have pointed out to the Nizam's Government, and have suggested that the Nizam's legal advisers, who were responsible for drafting the contract, should look to that point.'

"The fact that the concessionnaires were placed in a position to claim to appropriate to themselves 850,000 l. of the capital of the Company was the indirect effect of a set of provisions which were carefully considered with another object.

"43. In support of the course which has been taken the concessionnaires rely on a clause in the concession which has throughout the negotiations stood in precisely the same terms, except as hereinafter mentioned, as when the concession was signed. It was originally settled by Messrs. White, Borrett & Co., under the advice of eminent counsel. Under the original suggestion the first issue of capital was to amount to 500,000 l.; such amount was afterwards altered to 150,000 l. This change was discussed with reference only to the amount which would be required for the immediate operations of the Company, and without any reference to the effect the change would have on the remuneration of the concessionnaires. But the concession at no time contained any direct provision as to what was or was not to be done with the balance of unissued capital. Thus, 150,000 l. only being necessary for application to the coal-field, and the rest of the capital not being immediately required, unfortunately no express provisions appear to have been inserted in the concession as safeguards to protect the other 850,000 l. of the capital from being immediately dealt with.

"44. The concession having been framed under the above circumstances, the Directors of the Company entered into the agreement under which the 850,000 l. of capital was transferred to the concessionnaires. The responsibility for this transfer rests with the Directors, but it is established that no investigations were made as to the value of the property so transferred, and it was contended on behalf of the Company, and alleged by Mr. Batten, the Chairman of the Company, that it was not the duty of anyone to inquire whether the consideration given by the concessionnaires to the Company was or was not of a value equal to the sum received by them. It may be doubtful what was the value of the rights, under the concession transferred to the Company, but whatever that value may be, no steps were taken to ascertain it.

Q. 104.

"45. It

Q. 322, 2680.

Q. 2534.
Appendix H.

Q. 115-121, 502-4.
Q. 505.
Q. 2568, 2900.
Q. 2903.
Q. 2980-1.

Q. 3654, 2539.

Q. 1691.

Appendix I.

Q. 2760.

Q. 2761.

H. C. No. 141,
Session, 1888,
pp. 54-60.
Q. 951.

Q. 992-997.
Q. 1095.
Q. 1099-1100, 2193.
Q. 2189.
Q. 1097, 1110.

Q. 2157.
Q. 1228.

Q. 4461.
Q. 4463.

Q. 4466.

Q. 4211.

Q. 510.
Q. 2318.
Q. 560.

"45. It appears to your Committee that the transfer of the 85,000 shares to the concessionaires under the circumstances mentioned above has affected, and will affect, injuriously the interests of the State of Hyderabad. If 85,000 shares still remained unpaid, capital could, from time to time, be obtained by further issues of shares beyond 'the first issue' of 15,000. Such capital so obtained would in the main be expended within the State of Hyderabad, which would necessarily be benefited by such expenditure. But the money which the Nizam and the Government of Hyderabad seem to have regarded as destined to develop the Deccan has passed into the possession of the concessionaires and their associates. The whole of the shares having been issued, the means of obtaining capital beyond the 1,000,000 £, the now capital of the Company, can only be regarded as of a speculative character, dependent upon the estimation in which the enterprise may hereafter be regarded by the public, from whom the future means of working the gold and diamond fields will have to be sought.

"46. The circumstances under which the mining concession was obtained show that serious risks to the interests of Native States attend the direct access of London speculators to Native Ministers. In the present case, the initial arrangements were made between Abdul Huk and the concessionaires; and it was after a settled draft had been prepared under his instructions that particulars were considered by British officials. When the matter came before the Resident, the Government of India, and the Secretary for India, no one of them was aware of the circumstances relating to Abdul Huk which called for a peculiar vigilance; and, apart from this, it is clear that the terms of the concession were subjected to less complete review than they would have gone through had they not been already agreed upon by the accredited negotiator of the Nizam. This result is to be regretted, and it is apparent that if more effective and direct British assistance and advice had been given to the Government of Hyderabad the events that have occurred could not have taken place.

"It appears to your Committee that so long as the Government of India interferes with the proceedings of a Native State in business matters, such as granting an important concession, great care should be taken fully to fulfil the responsibility thus assumed; and that there will be considerable difficulty in discharging such duty by the Indian Government if the communications between the Government of the Native States and speculators be allowed to be of a direct character."

Question, That the Draft Report, proposed by the *Chairman*, be read a second time, paragraph by paragraph,—put, and agreed to.

Paragraphs 1—45, agreed to.

Paragraph 46.—Amendment proposed, in line 13, after the word "place," to insert the words "Those who officially controlled this affair in England and India do not seem to have acted on a sufficiently definite view of their relations towards the Nizam as the head of a Native State. They asserted their right to interfere, but did not render their interference so effective as to afford that protection which the Nizam's Government and possible investors in this country had a right to expect. They did too much or not enough. There also appears to have been a want of consistent policy in the official proceedings, and General Strachey's evidence indicates the extreme difficulty of fixing upon any single official the responsibility for any error or omission. Such handling is to be deprecated, for it must often leave a loophole for practices like those of Mr. Watson and his associates, on which the Committee have been animadverting"—(Mr. *Labouchere*). Question put, That these words be there inserted.—The Committee divided:

Ayes, 2.
Mr. Labouchere.
Sir Richard Temple.

Noes, 2.
Mr. Bristowe.
Mr. Solicitor General for Scotland.

Whereupon the *Chairman* declared himself with the Noes.

Paragraph agreed to.

Amendment proposed, That the following new paragraph be added to the Report:—

"In conclusion, your Committee bear in mind the fact that Mr. Watson and his associates were enabled to do what has been described by your Committee in the foregoing paragraphs is due to what was virtually a defect in the agreement as settled in England. This defect was aggravated by the alterations made in India by the Government. But it existed apart from these alterations, and was not brought into existence by them. Your Committee proceed to consider briefly how far the officers of the Government in India and England are responsible for not observing and remedying this defect. There are several links in the chain of official responsibility, and at each point a failure occurred in one and the same respect. First, the British Resident at Hyderabad had an understanding of the intention of the concession, and certainly, as so understood, the intention was reasonable and just. But it was his business to see that this intention was carried out. Now, the terms of the concession-agreement received from England, as drafted under legal advice, were, as the event has shown, in one respect defective. It was hardly in the power of the Resident, who had no legal advice on the spot at Hyderabad, to perceive or to rectify the defect. So far, he is excusable. But he submitted the case to the Government of India,

India, his immediate superior, and it pertained to that Government to consult the legal advisers at its command, and to render the agreement safe in all respects. If, however, these legal advisers did not perceive the defect, perhaps the omission of the Government of India may be in some degree excused. But inasmuch as considerable attention was given to several details in the case, it is unfortunate that the flaw in the agreement escaped detection. Further, the proceedings were under the observation of the Secretary of State for India in Council. It was under advice from that department of State that Abdul Huk instructed Messrs. White and Borrett, the solicitors, to draft the agreement. Possibly the fault in this agreement may have been due to the instructions thus received. But in this, as in other parts of the case, the India Office does not appear to have undertaken any complete responsibility, as is to be inferred from the evidence of General Strachey, a member of the Indian Council in England, and considered itself to be acting partly as a supervisor and partly as a friendly counsellor. It appears to your Committee preferable that if the British Government interferes to exercise any control, the control should be effective throughout, especially as the known fact of Governmental interference will induce investors to place confidence in the undertaking. Your Committee deem it necessary to indicate the exact steps in official responsibility throughout this case, without, however, attributing any particular blame to any officer of Government under the circumstances. But the experience of this case ought not to be lost in the future. It seems to your Committee that transactions of this nature between European speculators and any Native State in India ought from first to last to be under the absolute supervision of the Government of India, to be exercised through its political residents or agents on the spot, subject, of course, to the general control of the Secretary of State in England. Thus, there will be a real security against miscarriages such as those which have happened in this case, and the official responsibility will be definitely fixed"—(Sir *Richard Temple*).

Question put, That the proposed New Paragraph be added to the Report.

The Committee divided:

Ayes, 2.
Sir Richard Temple.
Mr. Labouchere.

Noes, 2.
Mr. Solicitor General for Scotland.
Mr. Bristowe.

Whereupon the *Chairman* declared himself with the Noes.

Question, That this Draft Report be the Report of the Committee to the House,—put, and agreed to.

Ordered, To Report, together with Minutes of Evidence, and an Appendix.

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MINUTES OF EVIDENCE.

Friday, 1st June 1888.

MEMBERS PRESENT:

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.
Mr. M'Lagan.

Mr. Slagg.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

THE RIGHT HON. SIR HENRY JAMES, IN THE CHAIR.

Chairman.] It may be convenient that I should state that the Committee have resolved that the evidence of all the witnesses examined before the Committee, except those exempted by special resolution, will be taken on oath, in accordance with powers conferred upon Committees by the 34th & 35th Vict. Then I wish to inform the Counsel appearing before the Committee, in pursuance of the powers granted by the House of Commons, that the Committee have come to certain resolutions as to the extent to which Counsel may take part in the proceedings, which I will read to Counsel. "The Committee resolved that they purpose retaining the conduct of the Inquiry referred to them entirely in their own hands, but will accept the assistance of Counsel when they think it necessary. Thus all witnesses, except as hereinafter mentioned, will be called and examined by the members of the Committee. If the evidence of any witness shall affect the interests of any person or body represented by Counsel, application may be made to the Committee for leave to cross-examine such witness. If it be desired to call any witness not examined by the Committee, Counsel must apply for permission to call such witness, who will be examined as the Committee may think fit. The extent to which Counsel may address the Committee will be determined at a later stage of the Inquiry." Then it may be convenient to those who are particularly interested in this Inquiry to know that they will be permitted to obtain copies of the Evidence taken before the Committee. That is to say, copies of such evidence can be obtained by any of the parties interested who are willing to pay for the same. It may assist Counsel in having shorthand writer's notes.

MR. FRANCIS LEVIEN, sworn ; and Examined.

1. Mr. Labouchere.] You are, I believe, the Secretary to the Committee for General Purposes of the Stock Exchange, are you not?—I am.
2. It is customary to make applications for a settlement and for a quotation of new companies, is it not?—It is.
3. Do you know whether any application has been made for a settlement on quotation of this Company, the Deccan Company?—No application has been made, either for special settlement or for official quotation.

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Mr. LEVIEN.

[Continued.]

4. Are you aware that this company consists of 150,000 l. worth of shares, on which 10 l. has been actually paid; and 850,000 l. worth of shares, which I believe are called Promoter's Shares, which were given them in payment for the concession?—I may say I know nothing of the company, but from what I have read in the pages of "Burdett's Official Intelligence," gleaned from paragraphs in the newspapers, and from common gossip in the market; but I believe what you state is the fact, that there are 150,000 l. of what we should call on the Stock Exchange, "Public Shares"; and 850,000 l. in shares which we should call "Concessionnaires' Shares."

5. Supposing that a settlement or quotation ("quotation," if you like a quotation) had been given in this Company's shares, would this 850,000 l. worth of shares be good delivery?—In the first place, the Company, as constituted, would not be eligible for official quotation; and the 850,000 l. would not obtain a special settlement until at least a year had elapsed after a special settlement had been granted for the public shares.

6. Then could it never have a quotation?—Yes; well, when the shares were fairly distributed in the hands of the public the committee might grant them a special settlement or quotation.

7. Then, in that case, the whole would be good delivery, one for the other?—Eventually, after a lapse of time.

8. At present, then, if there have been dealings in those shares upon the Stock Exchange they are not under the rules and regulations of the Stock Exchange, although by members of the Stock Exchange?—Our rules and regulations have been entirely disregarded.

9. In this Company?—In this Company.

10. In what respect?—In this respect, that no application has been made either for a settlement or quotation; and none of the conditions of our rules with regard to special settlement or quotation have been complied with.

11. Can you state to us any particular rules that have been broken?—In the first place, the principle underlying our rule is that a company applying for a public quotation—

12. *Chairman.*] "What rules and regulations have been broken," is Mr. Labouchere's question?—Shall I point to specific rules?

13. If you please?—Rules 131 and 132.

14. *Mr. Labouchere.*] Will you read them out, please?—"Rule 131. The Secretary to the Share and Loan Department shall give one week's notice to the Stock Exchange of any application for a special settling day for transactions in the shares of a new company previously to such application being submitted to the committee and shall require the production of the following documents, viz., the prospectus, the Act of Parliament, the Articles of Association, or a certificate that the company is constituted upon the cost-book system under the Stannary laws. The original applications for shares, the allotment book signed by the chairman and secretary to the company, and a certificate verified by the statutory declaration of the chairman and the secretary stating the number of shares applied for and unconditionally allowed to the public, the amount of deposits paid thereon, and that such deposits are absolutely free from any lien. The bankers pass-book, and a certificate from the bankers stating the amount of deposits received." "Rule 132. The committee may order the quotation of a new company in the official list, provided that the company is of *bona fide* character, and of sufficient magnitude and importance; that the requirements of Rule 131 have been complied with; and that the prospectus has been publicly advertised, and agrees substantially with the Act of Parliament or the Articles of Association, and in the case of limited companies contains the Memorandum of Association; that it provides for the issue of not less than one half of the nominal capital, and for the payment of 10 per cent. upon the amount subscribed, and sets forth the arrangements for raising the capital, whether by shares fully or partly paid up, with the amounts of each respectively; and also states the amount paid, or to be paid, in money or otherwise to concessionnaires, owners of property, or others, on the formation of the company, or to contractors for works to be executed, and the number of shares,

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Mr. LEVIEN.

[Continued.]

shares, if any, proposed to be conditionally allotted; that two-thirds of the whole nominal capital proposed to be issued have been applied for and unconditionally allotted to the public (shares reserved or granted in lieu of money payments to concessionnaires owners, of property, or otherwise not being considered to form part of such public allotment) that the Articles of Association restrain the directors from employing the funds of the company in the purchase of its own shares, and that a member of the Stock Exchange is authorised by the company to give full information as to the formation of the undertaking, and be able to furnish the committee with all particulars they may require. In cases where fully paid shares have been granted in lieu of money payments an official certificate will be required that the contract providing for the issue of such shares has been filed with the Registrar of Joint Stock Companies, as prescribed by the 25th section of the Companies Amendment Act, 1867. Foreign companies partly subscribed for and allotted in this country."

15. This is not a foreign company?—No.

16. Then, as I understand you, if any dealings have taken place on the part of brokers and jobbers in these shares, it has been done in violation of the rules of the Stock Exchange?—I will not say in "violation"; in disregard.

17. In disregard of the rules of the Stock Exchange; do you take any action in those matters?—No.

18. You never do?—Unless any application has been made to suspend the fulfilment of a contract on the ground of fraud or wilful misrepresentation.

19. Then if there were any application you would go into the matter?—Yes.

Mr. Pember.] There is one question, Sir, perhaps you would not mind Mr. Leven being asked before he goes.

Chairman.] What is it?

Mr. Pember.] The rules will, of course, speak for themselves; I ask no question upon those.

Chairman.] Mr. Pember, would you state to the Committee for whom you appear?

Mr. Pember.] I appear for the Company. The question I should like to have asked Mr. Leven is this: Whether it is not a very common practice for brokers on the Stock Exchange to deal with the shares of companies which have never asked for a special settlement.

Chairman.] Very well.

20. *Mr. Pember (to the Witness).*] Is it not a very common thing on the Stock Exchange for brokers to deal in the shares of companies which have never applied for either a special settlement or a quotation?—Yes.

21. Do you consider that it is any breach of the rules of the Stock Exchange for brokers to so deal?—There is no rule to prevent members of the Stock Exchange from entering into any contract they please.

22. Then, in fact, in dealing in these shares before a special settlement was asked for or before a quotation was asked for, brokers have only done what under the rules of the Stock Exchange they are quite entitled to do?—Not "under the rules"; there is no rule that applies.

23. No rules to prevent?—There is no rule to prevent men from entering into any contract they see fit.

24. And, in fact, when you say that the shares have been dealt in, in disregard of the rules, the rules do not apply to this Company until they choose to ask for a settlement?—No.

Mr. Littler.] There is one question, Sir, I should like to ask.

Chairman.] Could you communicate with Mr. Pember, unless you have a different interest, in the question you want to put.

Mr. Littler.] Very well, Sir.

25. *Mr. Pember (to the Witness).*] Is not "Burdett's Official Intelligence," a well-known

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Mr. LEVIEN.

[Continued.]

well-known book which is published under the sanction of the committee of the Stock Exchange, and which does contain an official record of Stock Exchange dealings:—Not of Stock Exchange dealings. It contains some description of companies, the majority of which form the subject of dealings on the Stock Exchange.

26. It is published under the sanction of the committee of the Stock Exchange, and may be taken to be correct as far as it goes, may it not?—I presume so.

Mr. Littler.] I think it would be as well to let me allow you to look at what is the entry with regard to this Company.

Chairman.] You can put that in afterwards.

Mr. Littler.] We regard it as being a matter of some importance.

27. Chairman.] We will see what it is when you tender it. (To the Witness.) I assume that when a company is issued or formed there are often dealings in the shares of the company before a settlement is granted on the Stock Exchange?—Yes.

28. But do you find in what you term “companies of a *bona fide* description” that at some time or other a settlement is asked for?—In the great majority of real companies.

29. Of all substantial companies?—Substantial companies.

30. That is what you mean as to the nature of the company, is it not; “substantial”?—Yes.

31. What is the time that generally elapses; I do not know whether you know as a rule, but what would be about the time elapsing between the issuing of the prospectus of a company and asking for a settlement?—As a rule, the application for a settlement follows very promptly upon the issue of the prospectus and the allotment of the shares.

32. “Very promptly”; within weeks?—Sometimes. I have known a settlement to follow within a fortnight, and often within a month.

33. Then, if no settlement is asked for, I understand your answer to Mr. Pember's question to be: there is nothing to prevent brokers dealing, but those dealings will not be under the control of the Stock Exchange?—I hardly understand what you mean by “under the control of the Stock Exchange.” If two members of the Stock Exchange are agreed upon the terms of any bargain there is nothing to prevent their settling then at the date agreed upon between them, quite irrespective of any special settling day having been applied for or granted.

34. But would such dealings be in accordance with what generally appears in many contract notes, “subject to the rules and regulations of the Stock Exchange”?—They would be so far “subject to the rules and regulations of the Stock Exchange” that the committee would enforce the completion of the contract.

35. Although no settlement had been given?—Although no special settlement had been given.

36. Then I understand you that, of course, any two brokers, or two jobbers, may agree to deliver shares on a certain day, although no special settlement is given; but if the contract be: to be delivered on a settlement given, of course, there could be no delivery until the settlement was granted?—No; the contract would not be enforced until our special settling day.

37. If the contract were in those terms?—If the contract were for a special settlement.

38. If, at large, simply saying, “I sell to you so many shares, A.B.,” that would be enforceable through no special settlement were given?—We have occasional questions arise in which the parties differ, one claiming that the bargain was done for a day fixed or stated by himself, and the other that it was done for a special settlement.

39. What is the advantage of having a “special settlement,” is it to obtain a quotation?—Not necessarily. It is for the object and convenience of appointing a day when all contracts can be brought to a close together, to prevent any fraudulent preference by one party settling before another; and in order that the

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Mr. LEVIEN.

[Continued.]

the parties dealing might have the protection that is afforded to them by compliance with our rules.

40. Mr. Slagg.] I suppose a very large number of companies do not apply for this settlement at all?—I can hardly answer that question; it does not fall quite within my experience. I should say that of late there have been a great many mining companies and companies of no particular character that have altogether dispensed with and disregarded our regulations.

41. You could not give the Committee any idea as to the proportion, could you?—I never went into any question of statistics; it would hardly fall within my department. I only have official knowledge of those companies which apply for special settlement or official quotation.

Mr. LAUHLAN L. HALL, sworn, and Examined.

42. Mr. Labouchere.] You are Secretary of the Deccan Mining Company, are you not?—The Hyderabad Deccan Mining Company.

43. Were you secretary at the commencement?—No.

44. When did you become secretary?—On the 10th October 1887.

45. When was the Company registered?—August 1886.

46. So that you can only speak to what took place after the 10th October 1887?—Yes.

47. I presume, however, you have the books of the Company?—Yes, I have the books.

48. From those books can you tell us who were the first directors of the Company?—Yes; I can do so by referring to the books.

49. Perhaps you will refer then. Have you got any copies of the articles of association here?—Yes.

50. Several?—Yes.

51. Will you give the Committee copies, please. (Copies were handed in):—I said August, but I should have said July; July is the date of the incorporation. It is mentioned at the end of the articles of association in the certificate.

52. Let me ask you first about the directors: Who was your predecessor?—Mr. Milne.

53. Mr. Milne was the first secretary, I presume?—Yes.

54. Who were the first directors of the company?—Mr. Batten, Mr. Hemmerde, and Mr. Martyn Milne. Mr. Bonnor-Maurice was the secretary in the first instance. Those are three directors.

55. Maurice, and then Milne?—Yes.

56. Mr. Batten?—And Mr. Hemmerde, and Mr. Milne.

57. They were chosen by the shareholders. How did they become directors?—I think they were appointed by the original subscribers of the articles of association.

58. The original subscribers elected them as directors?—Yes.

59. You have got the original subscribers, have you not?—Yes; they are in here.

60. They are, are they not, Mr. Watson, Mr. Stewart, Mr. Winter, Mr. Hemmerde, Mr. Batten, Mr. Pearce, and Mr. Milne?—Yes.

61. One share each?—Yes; these are the names.

62. They were elected as directors. Have you got the first minute there?—Yes.

63. What does the first minute say?—10th August 1886 is the date of the first minute of the board.

64. What happened then; tell me generally?—Mr. Batten was elected chairman; Mr. Bonnor-Maurice was elected secretary *pro tem*. The secretary reported the registration of the Company and produced the certificate of registration and the memorandum and articles of association. The Company's seal was submitted and approved.

65. Is it only as to purely formal things, and things of that sort; or was there any real business?—The agreement between the concessionaires and the applicants was submitted.

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66. That

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Mr. HALL.

[Continued.]

66. That is what I want to know: "The agreement between the concessionnaires and the applicants"?—The agreement for 15,000 shares of the Company, and the agreement to transfer the concession to the company was submitted and explained.

67. What do you call the difference between the concessionnaires and the 15,000 shares?—Those of the persons who formed the Company.

68. I do not think you quite explained to us; there was an agreement about 15,000 shares?—Yes; that agreement will explain itself.

69. What was the agreement?—I can give you a copy of it.

70. Well, let us have a copy; you need not read it all out; but tell us what the agreement was?—I can give you the copy, and you can look at it for yourself. (*The same was handed in.*)

71. This is the agreement about 85,000 shares?—It is.

72. I want the agreement you spoke of first; about the 15,000 shares?—*Here is the agreement between the concessionnaires and the Company. (The same was handed in.)*

73. This says, "And whereas the Company has been formed and registered," &c., "under the Companies' Acts, 1862 to 1880, with a capital of 1,000,000 £ sterling, divided into 100,000 shares of 10 £ each, and having for or among its objects the acquisition of the rights and liabilities of the concessionnaires under the said concession, and the execution of the works therein referred to, and 150,000 £ of the share capital has been subscribed for, and 15,000 shares allotted accordingly; and 75,000 £ has been actually paid up on the said 15,000 shares;" now I want to know by what process was this done; we stand here with one share each in the original formation of the company; here you have this; this is the first meeting of the Board: "The application for the 15,000 shares by the persons described in the schedule to the above-mentioned agreement was considered, and the shares numbered 1 to 15,000" were allotted as follows (these are the shares upon which 5 £ is paid up): John Stewart, 5,000; Henry Parkinson Sharp, 5,000; William Clarence Watson, 4,599; Charles Albert Winter, 100; George H. M. Batten, 100; James Hemmerde, 100; John Martyn Milne, 100; Richard Pearce, 1; these were allotted. Then where do we get the payments for them of the 5 £ to the Company?—From the banker's book, I think, and the cash-book.

74. Have you the banker's book?—Yes, I have the banker's book here. (*Banker's book produced and handed in.*)

75. Having allotted these shares, and having got the money paid in at the same time, you have given us a copy of a resolution and agreement by which the concession was bought from the concessionnaires for 85,000 fully paid-up shares; is that so?—Yes, that is the agreement.

76. That was adopted by these gentlemen, Mr. Batten, Mr. Hemmerde, and Mr. Milne?—Yes.

77. Was this agreement submitted at any time to the shareholders at a meeting?—I cannot tell you that without referring. Not that I know of.

78. Who are the present directors?—Mr. Batten, Mr. Watson, Mr. Winter, Lord Lawrence, Mr. Colvin, and Mr. Parkinson Sharp.

79. Then these gentlemen, Mr. Hemmerde and Mr. Milne, disappeared from the scene after this thing was arranged?—Yes; Mr. Hemmerde resigned.

80. Where did he resign?—On the 10th November 1886.

81. When were these other gentlemen elected?—Mr. Winter was elected on the 19th August 1886; Mr. Watson and Mr. Stewart on the 24th August 1886.

82. Mr. Sharp and Mr. Colvin?—October 1887, Mr. Colvin was elected.

83. And Mr. Sharpe and Lord Lawrence?—Lord Lawrence was elected in July 1887, and Mr. Sharpe in November 1886.

84. What is the remuneration of a director; is it 300 £ a year?—£. 300 a year.

85. What does the chairman get?—The same.

86. Are any of these gentlemen managing directors?—No.

87. Do none of them get nothing more than the others?—No.

88. This 75,000 £ was paid up, was it not?—Yes.

89. When

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Mr. HALL.

[Continued.]

89. When was the second call made of the other 5 £?—The 1st of November 1887.

90. The 75,000 £ was paid at once?—Yes.

91. November 1887 was the date of the second call?—Yes.

92. How much money has the Company got now?—In cash?

93. In cash?—About 85,000 £ or 88,000 £.

94. £. 85,000?—Yes, 85,000 £ to 88,000 £. It varies a little; 88,000 £ was the balance on the deposit account on the 29th May, and 1,607 £ on the current account.

95. Was there anything paid for the promotion of the Company by the Company?—No.

96. Nothing?—No, nothing.

97. Who printed the share certificates; someone must have done that; who printed *this* document, the articles of association?—I really cannot tell you, without looking at the bill, who paid for that, but I think the Company; I cannot be quite sure; I do not know.

98. Can you tell us the total the Company paid for the costs of bringing out the Company, or anything connected with the shares?—I do not think there is any such charge as that at all.

99. There must be; this was not a gratuitous gift to the Company; you see there must have been some charge?—The concessionaires, I think, paid everything, so far as I know. I have no such account.

100. How much of this 75,000 £ has been spent on the Singareni Coal Mines; can you tell us?—I can tell you only approximately at the moment. I should think, altogether, about 25,000 £ or 30,000 £, perhaps.

101. £. 25,000; has that been paid in salaries to superior officials, or in working the mines in any sort of way?—The bulk of that is capital account, machinery. I have not got the accounts made up.

102. The bulk is for machinery that has been sent out there?—Yes.

103. That is 25,000 £. Now you say you have 83,000 £; how has the rest been spent?—We spent 13,000 £ or 14,000 £ in diamond mining machinery.

104. Machinery?—Part of it is machinery, and the expense of carriage and putting it up.

105. Then it is the machinery and the carriage of the machinery?—Yes.

106. What else has been expended; you see you have to account for rather over 40,000 £ more?—It is subdivided in a great many ways. I can account for it. I have a statement here showing it almost exactly.

107. About 30,000 £ more, not 40,000 £?

Mr. Pember.] It may perhaps assist the Committee if, on behalf of the Company, I say that an account shall be given to the Committee of the way in which the balance has been spent.

108. Mr. Labouchere (to the Witness).] Go on, please?—It is divided in so many ways. I have a rough statement of it.

109. Roughly give it me?—In London we have spent about 5,400 £.

110. What on?—Rent, salaries, directors' fees, and other expenses.

111. London office?—London office; everything.

112. What else?—Up to the time this statement was made out we had spent about 40,000 £ on capital account in India.

113. That would make out 25,000 £ and 14,000 £, but the bank balance was 89,000 £?—£. 89,000, including the whole of the money in agents' hands in India, about 3,200 £; that was not accounted for. There was a remittance on the way of about 3,000 £, and in the Bombay agents' hands for expenses there, for freight and so on, there was about 500 £, and a remittance of 2,700 £ on the way for expenses, making a total of about 14,400 £.

114. What is your latest report from the Singareni Coal-fields; have you got the latest report?—I have not got it with me.

115. What are you doing there, do you know; how much coal are you extracting?—We are raising from about 150 tons to 180 tons a week.

116. One hundred and fifty tons a week?—Lately.

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117. One

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Mr. HALL.

[Continued.]

117. One hundred and fifty tons a week since when?—It has averaged about that since the beginning of this year.

118. That would be about 7,500 tons per annum?—Yes; but all the machinery has not gone out.

119. That would be 7,500 tons per annum that you are raising at the present moment; what is your latest report about these diamonds; have you found any?—No; they have had cholera in the neighbourhood, and have not been able to work.

120. Cholera would not affect the diamonds?—It prevents getting labour.

121. You cannot get labour?—No.

122. So you do not know whether there are diamonds or not there?—No.

123. The Company did not know?—No.

124. Where are the diamond mines?—In Golconda.

125. They are ancient diamond mines, are they not?—I believe so.

126. They have not found diamonds in them for the last 200 years, have they; I have seen that in the reports?—Yes.

127. Not for a longish time?—No.

128. Has the Company any particular reason to suppose that they will find diamonds there?—I do not know anything of it myself. I can only refer you to the reports.

129. I am going to refer you to a report. I want to know about *this* document. It is marked "private memorandum." I do not know by whom it was issued, but I should like to know how the Company was connected with it. It is a species of,—*quasi* prospectus, I should call it. Hyderabad (Deccan) Mining Company, capital 1,000,000 *l.* in 100,000 shares at 10 *l.* each; 85,000 being fully paid, what you call "fully paid," is *issued as* fully paid; they were not fully paid, were they?—I did not call them that.

130. No; but the Company did, did it not?—I do not know anything about *that*?—No.

131. You do not know anything about *this*?—No.

132. You do not know whether the Company issued this?—No, I do not know.

133. Just look at it (*handing the same to the Witness*)?—Yes; I do not know who it is issued by.

134. The Company knows absolutely nothing about this, do you say?—I know nothing about it.

Mr. Bristowe.] This gentleman was not secretary at the time it was issued?

135. Mr. Labouchere.] No. (To the Witness.) Now can you tell me about all these different dealings in the shares and transfers, or anything about them?—I only know what is recorded in the books.

136. You will find that in the month of October 1886, Mr. Watson acquires 27 shares one day, 31 another, 32 another, 36 another, 43 another, 45 another, 45 another. At the same time in October he sells 25 one day, 25 another, 26 another, 26 another, 28 another. Do you understand the meaning of that; what are all these transfers?—I do not know anything about them.

137. You do not know anything about *these*?—Nothing except what is recorded in the books.

138. Perhaps you would look through these things and tell us another day whether they are correct or not?—Yes.

139. Look through these, not now, and tell us what is the meaning of them?—They are taken from the transfer books.

Mr. Littler.] Would it be permissible for me to ask, Sir, as the Witness is going to produce that information, that he may also state in each case the consideration for the transfer.

Chairman.] You shall have the fullest information and facility.

Mr. Littler.] If he is going to get it out he could easily add that.

140. Chairman.] Yes. (To the Witness.) You hear what is said: You will get out not only the transfer, but the consideration money?—Yes.

148. Now,

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[Continued.]

141. Now, I want to elicit some facts from you. You have got the Articles of Association there?—Yes.

142. I see by Article 12 it is provided that "the Board shall consist of such number of directors as a general meeting shall from time to time determine, and until and subject to such determination shall consist of any number not more than seven, nor less than three." (14) "The first three directors of the Company shall be appointed by the subscribers of the Memorandum of Association of the Company." Now, turning to your minute-book (I have it here) the first entry is under date 10th August 1886. "At a Board meeting held at No. 7, Great Winchester-street," "on Tuesday the 10th day of August," present: Mr. Batten, Mr. Hemmerde, and Mr. Milne; they seem to have been the only three persons present?—There is the previous appointment of directors on the first page.

143. I am much obliged. That is entered on the loose sheet?—Yes.

144. Therefore the first meeting of subscribers to the Articles of Association was held on the same day I have mentioned, the 10th August, Mr. Watson, Mr. Stewart, Mr. Winter, Mr. Batten, Mr. Hemmerde, and Mr. Milne; and then it was resolved that Mr. Batten, Mr. Hemmerde, and Mr. Milne be appointed the first directors?—Yes.

145. Those three gentlemen are duly mentioned at page 6 of the Articles of Association as having one share each?—Yes.

146. Thereupon those three gentlemen, becoming the board of the Company, resolve, I see, first, that "the agreement between the concessionaires, the applicants for 15,000 shares of the Company, and the Company, being the agreement to transfer the concession to the Company, was submitted, and explained, and approved."

147. The persons who received those 15,000 shares by way of allotment are Mr. Stewart, Mr. Sharp, Mr. Watson, virtually for 5,000 each; at least, 5,000 each, Mr. Stewart and Mr. Sharp, and 4,599 Mr. Watson; 100 to Winter; 100 to Batten; 100 to Hemmerde; and 100 to Milne. Then there is this entry: "The secretary submitted an agreement between the Company and Messrs. Watson and Stewart prepared in pursuance of the before-mentioned agreement in relation to the 85,000 shares to be numbered 15,001 to 100,000, and to be allotted as fully-paid shares to them. Resolved: That the same be approved, and the common seal of the company affixed thereto after the first-named agreement has been sealed, and that the same be then duly filed with the registrar of joint stock companies." Now that was the agreement, I think, which you handed in; that is an agreement by which 850,000 *l.* worth of shares, namely, 85,000 shares at 10 *l.* each, are transferred to Mr. Watson and Mr. Stewart (the two concessionaires) absolutely for their own use?—Yes.

148. That agreement was approved by these three gentlemen holding one share each; Mr. Batten, Mr. Hemmerde and Mr. Milne?—Yes.

149. Was any inquiry made, so far as you know, by any one as to how that 850,000 *l.* was arrived at as a fair price?—No, I do not know.

150. Have you any entry or any record of how these three gentlemen with one share each arrived at any estimation of the value that they were receiving for the 850,000 *l.*?—I do not know.

151. Let us then proceed. This took place upon the 10th of August. Upon the 17th there was the next meeting, I think?—Yes.

152. At that meeting (Mr. Batten again in the chair, Mr. Hemmerde and Mr. Milne being also present), the seal was ordered to be placed upon this agreement. That is on the 17th. On the 19th it was resolved: "It having been reported that the contract as to the allotment of 85,000 fully paid-up shares had been duly registered with the Registrar of Joint Stock Companies, it was resolved: That the 85,000 shares directed by the contract to be allotted as fully paid up shares to William Clarence Watson and John Stewart be so allotted as follows." And then there is an allotment; that is to say, that the 85,000 shares be allotted as fully paid-up shares, pursuant to the said contract to Watson and Stewart jointly; did they take all the 85,000 jointly between them, or was there any division between them?—Mr. Stewart before that was dead.

153. I am speaking now of the 19th August 1886?—Oh, no.

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154. I think

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[Continued.]

154. I think he was not; we will see how that is; at any rate they were allotted upon that day?—Yes.

155. We have got now to three acting directors, with one share each, Batten, Hemmerde, and Milne. Then upon this day Mr. Winter was appointed an additional director?—Yes.

156. Then he becomes to act as a director; Mr. Milne who voted thus resigns on the 19th?—Yes.

157. And becomes secretary?—Yes.

158. Mr. Maurice resigns, I should say rather, and Mr. Milne became secretary on the 19th, and handed in his letter of resignation on the 24th; Mr. Hemmerde resigns upon November 10th. When did Mr. Batten resign?—Mr. Batten still continues.

159. Mr. Stewart, one of the concessionaires, and Mr. Watson another, having taken no part in the contract to give them 850,000 £. on the 10th, and 17th August, but on the 24th of August they do become directors of this Company?—Yes.

160. I see it is entered: "It was resolved that under Article 14 of the Articles of Association, William Clarence Watson and John Stewart, being duly qualified shareholders, be and hereby are appointed additional directors of the Company." Now may I ask you, as far as you know, has any single sum of money, representing 850,000 £. ever gone into the coffers of the Company?—No.

161. Those have gone, as far as you know, to the allottees, so far as they have been allotted, Watson and Stewart?—Yes.

162. You have had this minute-book before you?—Yes.

163. Can you find any trace of the manner in which that 850,000 £. was arrived at, except the judgment of these three gentlemen, Batten, Hemmerde, and Milne, with one share each upon the 10th of August?—Nothing that I am aware of.

164. Was any report made of the value of the mines of the Company, or what the concessionaires were giving in return for this?—The Company have got reports since.

165. Will you hand them all in please; every report you have got of the value must be handed in, if you please?—These are the only reports that I know of. (*Two documents were handed in.*)

166. I want the earliest date of any report: one of those you have given me is dated the 18th of February 1887; the other is dated the 4th of March 1887?—Yes.

167. Are these the only reports that you know of?—All that I have.

168. At any rate there were no reports before this allotment of shares?—None that I know of.

169. Was any communication, so far as you know, made to the Nizam's Government of what had been done with this 850,000 £. worth of shares?—Not that I know of.

170. I see this agreement that we have referred to of the 85,000 shares runs in this way (it is the agreement made the 17th of August between the Hyderabad Company and Watson and Stewart): "Whereas by an agreement dated the 16th day of August 1886, and made between the said William Clarence Watson and John Stewart therein, and hereinafter called the concessionaires, of the first part, the several persons specified in the schedule thereto of the second part, and the Company of the third part, it was agreed that the concessionaires should assign and transfer to the Company certain rights conceded to the concessionaires with reference to the lands, mines, and properties situate in the territories of his Highness the Nizam, and that in exchange therefor the Company should allot to the concessionaires 85,000 shares at 10 £. each." Is the agreement mentioned there of the 16th August, the agreement that you handed in to Mr. Labouchere, a Member of the Committee?—You are reading the one of the 17th.

171. Yes; but it recites one of the 16th?—Yes.

172. You have handed in that of the 16th?—Yes.

173. The persons mentioned there, of course, would be mentioned in the schedule,

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[Continued.]

schedule, Watson, Stewart, Sharp, Winter, Hemmerde, Batten, Pierce, and Milne?—Yes.

174. It says: "It was agreed that the concessionaires should assign and transfer to the Company certain rights conceded to the concessionaires": has there been any transfer of such rights?—Yes.

175. Where?—All the rights given to the concessionaires have been granted to the Company.

176. By a document?—Yes.

177. Will you produce it?—Yes. (*The same was handed in.*)

178. This is the document, is it?—That is the agreement.

Mr. Pember.] I think you will find that is done by Article I. of the agreement.

179. *Chairman.*] Yes, yes; but I want to see the document, Mr. Pember, if you please; I am aware what is in the Articles now. I am afraid it is rather lengthy to read. It is an agreement between Watson and Stewart and the Hyderabad (Deccan) Company, Limited. What is the payment under the 11th Clause mentioned in the second Article of this Agreement, that the company undertake, are you aware of that from memory?—No, I am not.

80. It says that they are to undertake "the payments mentioned in Clause 11 of the said concession." I see it is: "Provided that in case of the Singareni Coal-field the rate of royalty shall be computed on quantities won, and shall, if the sales be less than 100,000 British tons per annum, be fixed at eight annas per ton, any excess over the above quantity may be charged with a higher rate of royalty up to a limit of one rupee per ton." We have now got how these 850,000 £. of shares were transferred with these two gentlemen; I may take it from you generally that some of those shares have been transferred by them to the public?—Yes.

181. Do you know to what extent, or about what extent, they have been transferred to the public? Do you know how many of those shares have been issued to the public? I suppose in the first instance they were all allotted to these two gentlemen, so that they appeared in your books as belonging to Mr. Stewart and Mr. Watson, is it not so; those are the names?—Yes.

182. How many of those have been transferred by them, so as to obtain money for them?—I cannot tell you exactly.

183. No; but about; just follow me if you please. I understand that on August 20th, the 85,000 were allotted to these two allottees?—Yes.

184. They had to get rid of them if they could; were there allotments, or transfer rather, upon the 30th of August; just turn to your transfer book of the 30th August; we will get this out at once. Just follow me and see if this is so; I have a document here put in my hand. The original allotment was to Mr. Watson and Mr. Stewart jointly?—Yes.

185. On the 30th August were 23,906 shares transferred by the two allottees to Mr. Watson separately?—Yes.

186. That is right?—That is right.

187. On the same date were 18,594 transferred to Mr. Stewart separately?—Yes.

188. Were 7,969 transferred to Mr. Henry Parkinson Sharp?—Yes.

189. Twenty one thousand two hundred and fifty to Mr. Winter?—Yes.

190. Ten thousand six hundred and twenty-five also to Mr. Winter; they seem to be separate transfers?—Yes.

191. And 2,656 also to the same person; that would be upwards of 34,000 shares?—Yes, that is so.

192. What appear to be (if they do appear) the considerations for the transfers to Sharp and to Winter?—I must refer to the transfers.

193. If you please. (*Transfers produced.*) Is there any consideration shown for the transfer from Watson and Stewart to Mr. Sharp and Mr. Winter?—A nominal consideration.

194. As a rule, would the consideration appear upon the transfer?—Yes, it is always stated.

195. Have you got the transfer there?—Yes.

196. Just read how it is stated nominally?—The six you refer to are all for five shillings.

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[Continued.]

197. The nominal amount given is five shillings?—Yes.

198. Therefore we have got these 85,000 shares by the 30th August vested in Mr. Watson, Mr. Sharp, and Mr. Winter?—Yes.

199. They held the whole?—Yes.

200. You will be good enough to hand in, if you can, before the next meeting of the Committee, an account of the different transfers of these 85,000 shares so far as they have been made; but speaking generally, how many of those 85,000 shares have been re-transferred to the public?—I have not got the paper with me now; but I have got a paper which would tell me nearly.

201. You have got a paper which will show, more or less, the transfers to the public?—I have got the figures.

202. Will you do that by the next time we meet?—I will.

203. On those transfers will you trace the transferees up to these gentlemen?—Yes.

204. We may take it quite clearly that none of this money has ever gone into the Company's coffers for the Company's purposes?—No, it has not gone to the Company.

205. I want one other matter please at present, though we may have to call you again; how much money has been sent over to Hyderabad for working the mines; I think you said 40,000 l.?—Yes; more than that altogether.

206. Has that 150,000 l. yet been called up, or only the 75,000 l.?—It is all paid.

207. Have there been any returns from Hyderabad?—None.

208. Any profitable working?—Money has been used there.

209. So I understand; but there have been no returns; no profitable working?—No, not yet.

210. Had you had any communication directed to the Company from the Nizam's Government as to what has become of those 85,000 shares?—No.

211. Are these certificates or scrip; how are these shares represented; what is your formal *indicia* of the certificates?—By certificates.

212. Have you got a copy of them, please?—Yes, that is the only certificate we have (*handing in a document*).

213. Has this form been always used?—Always of the 10 l. shares. That is the only form in existence now.

214. Was the same form used for the 10 l. shares that was used with the first issue, the 15,000 and the 85,000?—No.

215. Give me, please, the other form, the form that represents the 85,000 l. of shares?—That represents the 850,000 l.

216. Then give me the one that represents the 15,000?—I have not got one here.

217. In what way did they differ?—They were the same, only in blue.

218. They asked whether they were the same form?—Yes; I did not understand the question.

219. Mr. *Bristowe*.] As this concession seems to have been formed with the sanction of the Nizam, I should like to ask whether a notification of this handing over of the 85,000 shares was sent to the Nizam or to the Indian Government; do you know that at all?—Yes; there is a letter.

220. If so, I should like to see the form of that announcement; it would not be in the Parliamentary Paper, I think?—It is on the 37th page, Enclosure 9.

221. I do not know whether you see the point I mean, which is: that as this concession was granted by the Nizam with the sanction of the Indian Government, whether this transaction or negotiation (by which 85,000 shares was given for the concession, fully paid up, and on which nothing had been paid) was notified to the Government of the Nizam, or to the Indian Government, and whether you have a copy of the paper and the notification, if given?—No, not that I know of.

222. Do you know that no notification was given?—Not that I know of.

223. It would naturally be before you were in office; but you have no knowledge of such a notification being given?—I have no knowledge of it.

224. Mr. *Slagg*.] Was the Singareni Coal Mine the only coal mine that was opened by the Company?—Yes, so far as I know.

225. In

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[Continued.]

225. In the concession other minerals were alluded to, such as copper, silver, and gold; were any mines relating to those metals opened?—We have not done anything with them yet.

226. Were any such prospected?—Not yet, that I know of.

227. Have the Company any anticipation of working those minerals to your knowledge?—We are in anticipation.

228. Then the sole exploit of the Company was the working of this one mine, the Singareni?—Only at first.

229. But was not that the only one?—So far as it has gone now.

230. So far as the Company's operations have gone that is the sole working they have undertaken?—Yes.

231. You said that there was no return of profits from Hyderabad of any degree whatever, no remittance on account of profits; you have received no remittance or anything of that kind?—Not yet.

232. Yet some coal was sold?—Oh, yes; some coal has been sold.

233. Where did the proceeds of those sales go to?—They have been used in India for the purposes of the company.

234. They were spent in India?—Yes.

235. Sir *Richard Temple*.] I understand you to say that 150,000 l. was raised upon so many shares, of which 72,000 l. (about) have been spent, and 88,000 l. remain in the banker's hands?—Yes, that is it.

236. In what banker's hands?—The National Provincial Bank of England.

237. Has that money actually been paid into the bank?—Yes.

238. How; who paid it?—The people who took the shares.

239. The bank acknowledges the receipt of this money?—Yes; you can see it in the book.

240. In what form did they get it?—By cheques.

241. Was it paid by you?—It was paid by the different subscribers.

242. These three or four gentlemen?—Yes; the names are given of those to whom the shares are allotted.

243. Paid by the allottees?—Yes.

244. In cheques?—In cheques.

245. And shown in the bankers' books?—Yes.

246. Then do I understand you to say that upon the 85,000 shares, which are stated in the documents to be fully paid-up, nothing was paid?—No.

247. What is the meaning of the word "fully paid-up," then; in financial language, what does "fully paid-up" mean?—They are taken as fully paid-up.

248. "They are taken as fully paid-up;" is that your answer?—Yes.

249. But not fully paid-up?—It is done every day.

250. But nothing was paid up?—No actual money was paid.

251. Is that correct in financial language?—Oh, yes.

252. Now, may I ask upon these two reports, where is this Singareni Coal-field?—It is about 300 miles or 250 from Secunderabad or Hyderabad. I have got the exact distance here.

253. Can you show it on the map?—Yes; it is near Dornakul.

254. How far from Dornakul; the map shows, I suppose?—Yes, the map shows.

255. In reference to that 14,000 l. worth of diamond mining machinery, where is that machinery now?—It is for six different places.

256. Where?—Not far from Bezvada.

257. Are those places supposed sites of mines?—Yes.

258. What particular mines; mines in those localities?—Yes, mines in those localities.

259. Have they done any work?—Not by the last report.

260. In this report that you have laid on the table from a diamond mine expert; is the name of the expert given?—I do not think it is.

261. Will you kindly indicate the name. I do not see it (*handing the document same to the Witness*)?—His name does not seem to be mentioned here.

262. Does he mention having seen a single diamond during his explorations?—I have not read it for sometime.

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263. Can you refer to any passage in it which indicates that he has actually set eyes upon a diamond in those localities?—No, I do not think so.

264. "No, I do not think so." Is that your answer?—Yes.

265. Have you observed this passage at the end of his report. "It is, of course, not in my power to be able to say with any certainty that I shall find diamonds in payable quantities." Have you observed that?—No.

266. You will see it on the top of the last page?—Yes, I observe it. I was not secretary at the time this came out, and I have not studied it.

Chairman.] What is the date of that?

Sir Richard Temple.] The 18th of February 1887. Were not you secretary then.

The Witness.] No.

267. Sir Richard Temple.] The Witness says, "I was not secretary at the date when this Report was issued, and I cannot answer." (To the Witness.) Do you observe this passage: "I have every confidence in the venture, but do not like to be over sanguine, and as it will not be very long before the ground will be thoroughly tested," and so on?—Yes.

268. This report was dated sometime in the beginning of 1887; now, I ask you this: Since that date, has this ground been further tested, partially or thoroughly, or at all?—They are on the spot now.

269. Who: you say "they are on the spot now"; my question then is, who?—Mr. Lowinsky.

270. Who is Mr. Lowinsky?—The expert.

271. The expert who drew up this report?—Yes.

272. You do not know the result of his testings?—No.

273. Mr. Labouchere.] You gave the Chairman one of the share certificates of the 85,000 shares; have any of those shares been converted into shares to bearer?—Yes.

274. How many?—Twenty-one thousand two hundred and fifty.

275. In whose names were they when they were converted?—Mr. Winter's, I think.

276. Mr. Bristowe.] Were they all in Mr. Winter's name?—Yes, I think they were.

277. Mr. Labouchere.] The sale of the shares on the 6th of June 1887 (that Abdul Huk transaction) consisted of shares to bearer, did it not; there was no register; as they were shares to bearer, there was nothing, no alteration, no transfer?—I know nothing about Abdul Huk's shares.

278. You do not know why they were converted into shares to bearer?—No.

Mr. Littler.] You will allow me to reserve what I have to ask until later; the returns are furnished, and possibly it may save you a great deal of time when they are produced.

Chairman.] Will the Counsel be good enough to hand in to the Clerk, after our adjournment to-day, the respective clients whom they represent; we are not yet in possession of the facts as to that.

Mr. Pember.] The list is being made out. May I ask a question or two for the Company, Sir?

Chairman.] May I ask in what direction you are proposing to ask questions; on what points?

Mr. Pember.] I should propose to ask him a question or two as to the condition of things out there when the railway was opened, and what the absolute condition of the machinery at the coal mine is. I also want to ask how Lord Lawrence came on to the board, and the number of shareholders present, and one or two other points, not very many.

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[Continued.]

Chairman.] If you please, Mr. Pember, we must leave the matter in your hands to keep to the points that have been examined to.

279. Mr. Pember.] Quite so, Sir. (To the Witness.) First of all, on the question of the transfer of shares, at the time that the agreement of the 16th of August 1886 was come to, there were no other shareholders than those whose names appear as having signed that agreement; namely, Messrs. Watson and Stewart, Parkinson, Sharp, Winter, Henmerde, Batten, Pearce, and Milne.

280. So that all the shareholders were aware as a matter of fact of the contents of the agreement of the 16th of August 1886?—Yes.

281. And therefore with reference to a question asked you by the honourable Member there was no need to put the contents of that agreement before the shareholders because all the shareholders were parties to the agreement themselves?—Yes.

Chairman.] The Committee understand, Mr. Pember, that there were no shareholders at all except those mentioned in the articles of association. There were no shareholders and there was no meeting of shareholders.

Mr. Pember.] It was with reference to a question that the honourable Member on your left asked at an early period of the examination of the Witness as to whether this agreement had ever been laid before the shareholders at all.

Chairman.] We understand there was no meeting of shareholders because there were no shareholders excepting the allottees.

Mr. Pember.] That clears up that point. Now, with regard, first, to the transfer under the agreement of 1886, the transfer of the 85,000 shares; I want to ask the Witness, with your permission, Sir, this question (and with reference to the notification given to the Nizam's Government) whether or not the Company have received an extract from the proceedings of the Government of the Nizam in the Home Department Mines, which is numbered 165 of the year 1887, and dated Hyderabad, 9th March 1887, and which contains an admission by the Nizam's Government, that they had received—

Chairman.] You had better call for any document you want; you have called for that document and ear-marked it; let it be produced.

Mr. Pember.] Then I venture, Sir, to call for a document which purports to be an extract from the proceedings of His Highness the Nizam's Government in the Home Department Mines, No. 165 of the year 1887, dated Hyderabad, 9th March 1887. The Witness appears to be able to produce it, Sir; so while he is producing it, I would venture, with respect, to ask whether I should be in order if I read to him a paragraph out of that.

Chairman.] No; he had better produce the document. It may save you trouble if you look at the agreement of the 16th of August. Under the Clause 3 there is a provision that the concessionaires (not the Company) will forthwith notify to the Government of His Highness the Nizam that the transfer has been affected. When the concessionaires come into the witness-box they may very likely prove that they did make that notification.

Mr. Pember.] I was merely going to read an observation of the Nizam's own Government showing that they did.

Chairman.] From the concessionaires, and not from the Company?

Mr. Pember.] Yes. May I venture to do that?

Chairman.] If the document is here it had better be produced.

Witness.] I have not got a copy.

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Mr. Pember.] Then I am afraid I can hardly read from my copy.

Chairman.] He had better produce the document. He will be in attendance again, and you had better postpone it until then.

282. Mr. Pember.] Then I will postpone that. (To the Witness.) At what date did Lord Lawrence join the board?—July 1887.

283. Have you there a copy of the minutes of a meeting of the Company held on the 14th June 1887?—Yes.

284. May I ask whether this finds a place in those minutes of the 14th June 1887: "It was reported that the Government of His Highness the Nizam had purchased in the market 12,500 shares of the Company. The Sirdar represented on behalf of His Highness' Government the desirability of two directors being placed on the board as the nominees of that Government, now the largest shareholder in the Company, holding 1-8th of the capital," does that find a place there?—Yes.

285. And was this resolution passed: "That this proposal is agreed to, and that the Government of His Highness the Nizam be requested to nominate the Sirdar Diler ul-Mulk, Bahadur, as one director resident in India, and some other gentleman resident in England"?—Yes.

286. Then on the 28th June I think you had a further meeting, did you not?—Yes.

287. And is this the minute of that meeting with regard to that matter: "With reference to the resolution of the last meeting relative to the appointment of Government directors it was resolved that the following words be added 'the two directors shall be appointed on the condition that they will resign their seats on the board if the Government shall cease to hold at least 12,500 shares of the Company,' the Resolution of the 14th June with this addition to be communicated to the Sirdar Diler-ul-Mulk Bahadur, Secretary to the Government of His Highness the Nizam in the Home Department." Then I think you had a further meeting on the 12th July, did not you?—Yes.

288. And I believe that the Sirdar himself attended?—Yes, he did.

289. And this is the minute, I think: "With reference to the suggested appointment of the Sirdar as a director of the Company in India, the Sirdar represented that if he accepted office he would require a private secretary to assist him." The board then made the appointment of such private secretary; I need not read that?—Yes.

290. On the 18th July you had another meeting, did not you?—Yes.

291. And I think a letter from the Sirdar was read dated from the Alexandra Hotel in London, on the 8th July 1887, and then this resolution was passed: "Resolved, that on the conditions named in their previous letter to the Sirdar the Board do appoint the Right Honourable Lord Lawrence and the Sirdar" (I leave out the rest of his titles) "additional directors of the Company under Article 14, and that they are hereby appointed. The Sirdar has expressed his intention not to take any fees as director. In consequence of this the board have had no hesitation in complying with his request for the assistance of a secretary." Those are the circumstances under which Lord Lawrence came on to the board in July 1887?—Yes.

292. Now, as a matter of fact, the Sirdar is not any longer the representative of the Nizam's Government on the board, I think?—No.

293. But a gentleman, whose name is, as nearly as I can pronounce it, Fathah Nawaz Jung, is the representative?—Yes, at present.

294. Lord Lawrence still sits?—Lord Lawrence still sits.

295. I am requested to ask whether this gentleman, Fathah Nawaz Jung, is not the Chief Justice of Hyderabad?—Yes, I understand so.

296. Chairman.] Is he on the board?—Yes.

Mr. Pember.] He is on the board.

Sir Richard Temple.] When was he appointed?

297. Mr. Pember.] This appointment is of a very late date; since this Inquiry was instituted, I understand he has been appointed. (To the Witness.) The company

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Mr. HALL.

[Continued.]

company is busy prospecting, and on a large scale, I think, in the Deccan?—Yes.

298. And I believe they have prospected over a tract of country as large as 550 square miles?—Yes.

299. For gold?—Yes.

300. That, I presume, has been a very expensive as well as lengthy proceeding?—Yes.

301. Have you sent over any machinery for obtaining diamonds?—Yes.

302. Did you give the cost of that?—About 15,000 l. or 16,000 l.

303. When was that sent over?—It was shipped in November and December, 1887, chiefly, December and January.

304. Is it at work yet?—It had not been, by the last report.

305. It is that work which you say has been checked by the breaking out of cholera, is it not?—Yes.

306. As to the coal mine, when was the railway to the coal mine opened?—On the 1st January for public traffic.

307. One thousand eight hundred and eighty-eight?—1888.

308. Is the coal mine in perfect working order, or are you still sinking shafts or something of that kind?—Still making shafts, and sending out machinery.

309. So that the present output of the mine is no guide at all to what the output will be when the mine gets into working order?—None whatever.

310. Most of your operations have been incident to what we call the working of the mine up to this time?—Yes.

311. Until the railway was opened, I suppose it was found difficult to get the machinery there?—We could not send any heavy pieces at all.

312. In fact you could not get the heavy machinery there at all?—No.

313. Of course you will be able to let us know by the time the Committee meets again what the total number of your shareholders is?—Yes.

314. Am I right in suggesting that it is something over 730?—Yes, you are quite correct.

315. Shall you be able in the return you have undertaken to make for the honourable Committee, to give the number of those shareholders who have bought their shares for valuable consideration?—Yes, certainly.

316. That is to say outside the concessionnaires?—Yes.

317. The public?—Yes.

318. Shall you also be able to distinguish the public who have bought the blue shares from the public who have bought the red shares?—Yes.

Mr. Pember.] Might I venture to ask the Witness if he will do that, Sir, kindly.

Chairman.] It shall be done.

319. Mr. Pember (to the Witness.) You were asked the question as to whether some of the shares were not converted into shares to bearer; does that phrase "converted into shares to bearer" mean the same as share warrants in the Articles of Association?—Yes, share warrants.

320. Was not that done in effect in order to convey shares which would be negotiable in India without the necessity of their being sent home to England for registration backwards and forwards in the event of transfer?—Yes; I believe that was the reason.

321. If the Committee thought fit to order it, could you by the time the Committee meet again, give them any account of amount of your European staff, the number of the staff, and the nature of the staff, that you have sent over for prospecting and other purposes to India?—Yes, certainly.

Mr. Pember.] Perhaps, Sir, you may think that worth doing?

Chairman.] The Committee will consider that; it will give no trouble, I suppose?

Witness.] Not much.

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322. Mr.

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[Continued.]

322. Mr. Pember.] There is one point I ought to have asked the Witness with regard to the notification by the concessionaires under the agreement of the 16th August; has not a balance-sheet been sent to the Nizam's Government by the Company, dated the 30th of April 1887?—Yes.

323. Does not that balance-sheet show—

Chairman.] Mr. Pember, put it in, please; will you let us have a copy of it?

Mr. Pember.] Yes, certainly, Sir.

Witness.] This is it: "The Hyderabad (Deccan) Company, Limited; balance-sheet, 30th April 1887."

324. This you say was sent out to the Nizam's Government; is not the first item on the credit side, "by purchase of concession, 850,000 l."?—Yes.

325. And then we find items, "expenditure in India," amounting to 6,400 l.; "expenditure in England," amounting to 6,800 l.; that is, for machinery and other matters which you see there, Sir; and lastly, cash 68,000 l., bringing up the total to 925,000 l. Does not the debit side contain these two items, "To capital, 1,000,000 l., in 100,000 shares of 10 l. each, of which 85,000 shares are fully paid up."?

Chairman.] No, no, not "fully paid up," "fully paid."

Mr. Pember.] I beg your pardon, Sir, for reading it wrong; "fully paid," 850,000 l., and 15,000 shares, 5 l. paid; 75,000 l.; total 925,000 l.

Witness.] Yes, that is so.

326. Mr. Pember.] Then, Sir, if you would not mind looking at the beginning of the report, I would, by way of putting it into an interrogative form, ask the Witness whether, at the time that report was sent over, not at the date of the report, but at the time it was sent over, the board consisted of Mr. Batten, Lord Lawrence, Mr. Stewart, Mr. Sharpe, Mr. Watson, Mr. Winter, and the Sirdar; that is so, is it not?—Yes, that is so.

327. Chairman.] Can you tell to whom (I mean to what officer of the State) at Hyderabad, this was sent?—To the Resident.

328. Name, please?—Mr. Cordery would be the name at the time.

329. You would send it to the English Resident there?—Yes.

330. And not to anybody else?—No; officially it was sent to the Resident.

Mr. Pember.] Perhaps you will kindly ask whether the Government Director did not take out copies with him.

Witness.] The Sirdar?

Mr. Pember.] The Sirdar.

331. Chairman.] Is that Abdul Huk?—Yes.

332. Abdul Huk had copies?—Yes, he had copies.

333. I would call your attention to this: I do not know whether your attention was called to it at the time, that in the statement in the balance-sheet as regards the 85,000 shares "fully paid," and the 15,000 5 l. paid, the payment is treated there in this way: the word "paid" there represents the same thing whether paid by the public who took them, or whether issued as paid up; you did not think it necessary to use different language?—I was not secretary at that time. I know it just as it appears there.

Mr. Pember.] Then you see the item of 850,000 l. on the other side.

Chairman.] Oh, yes.

Mr. Pember.] Might I venture, Sir, to call for a copy of the document headed "Extract from the Historical and Descriptive Sketch of His Highness the Vizam's Dominions, compiled by Syed Hossain Bilgrami, B.A., and C. Wilmott, of His Highness's Civil Service, 1883-4."

Chairman.]

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[Continued.]

Chairman.] You may call for it; whether it is material or not we shall consider. You can get it from the Witness at your convenience now. We will receive it if you think it material.

334. Mr. M'Lagan.] You stated that the Nizam's Government purchased a certain number of shares; 12,000?—I do not think I stated that.

335. Do you know if the minerals were let to any other party before this Company got them?—Not that I know of.

336. You do not know that?—No.

337. Not to a German gentleman?—No, I do not know.

338. You do not know whether any garnets or other precious stones were ever found there?—I do not know.

339. In the report sent us we find that diamonds have been found recently?—Yes, recently.

340. In the report you gave us?—Yes.

341. And found by some of the natives there?—Yes.

342. I thought you said no diamonds had been found?—I was asked about Mr. Lowinsky's special report.

343. Does not Mr. Lowinsky's special report say that diamonds have been found, and are being found now?—Yes.

344. What use did they intend to make of the diamond exploring machinery, 15,000 l. worth I think you said was sent out?—The same process, I believe, as is used in South Africa for washing and crushing.

345. Do you know the thickness of the seams of coal?—One seam is reported to be 27 feet, I think.

346. Not more?—One that is working; I have got plans of it.

347. It is reported here, "29 feet," and you are only out of that seam getting 75 tons a week?—About 150 to 180 tons we have been getting.

348. Yes, 150 tons a week; then they cannot really have got rightly into the seam yet, surely?—The machinery is not yet all up.

Mr. Littler.] I understand the documents which have been produced to-day will remain with the Committee Clerk. If that is so, I should ask permission that my client should have the opportunity of examining some of them, to verify some things before the next occasion.

Chairman.] Yes, they are public documents for your purposes.

Mr. Littler.] One other question I ought to mention; you asked just now about the Resident—

Chairman.] No; to whom it was sent.

Mr. Littler.] If you will kindly look at page 38 of the correspondence you will find that it was at the request of the Government of India that all correspondence between the Company and Hyderabad should be sent through the Resident.

Mr. Mayne.] I wish to ask the Witness whether any prospectus was issued by this Company, either before or after the shares were allotted?

Witness.] I believe none.

349. Sir Richard Temple.] I understood you to say in a former answer that the 85,000 shares, representing 850,000 l. were said to be paid up when no money had been paid, does that answer apply to this item on both sides of this account, 850,000 l.?—Yes, certainly. This is the money paid, 75,000 l.; that is the nominal capital of the Company.

350. Is there a difference between the terms "fully paid" and "paid"; the 15,000 5 l. paid means money?—Yes, fully paid shares.

351. The 15,000 5 l. paid representing 75,000 l. means money, does it not?—Yes; shares.

352. The 85,000 shares fully paid; 850,000 l. does not mean money; do I understand that?—In shares.

353. This is the account; it does not mean money, does it?

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[Continued.]

Chairman.] You are quite right; there was no money.

354. Sir Richard Temple.] I want that from the Witness; it does not mean money; is that what you say?—It means no money actually passed; but that it is money: the concession valued at that amount.

355. It is valued at that?—Yes.

356. Then the same answer applies to the 850,000 l. on the other side of the account?—Yes, the value of the concession is 850,000 l.

357. Then I understand on both sides the account this 850,000 l. is in a certain sense nominal?—Yes.

358. All the other items on both sides of the account are real, representing money paid and money spent; is not that so?—Yes.

Mr. GEORGE H. M. BATTEN, sworn; and Examined.

359. Mr. Labouchere.] You have been I believe a good deal connected with companies brought out or financed by Mr. Watson?—Not very much.

360. You are connected with this one?—Yes.

361. You are connected with the railroad?—Yes, I was secretary of the railway.

362. And you are connected with a borax company, I think, are you not?—Yes, I am.

363. That is a company in which 1,000,000 l. sterling is given for some species of concession?—In a certain form.

364. You were secretary you say of the Nizam's State Railroad?—I was for two years.

365. You know, by your connection with the Mining Company that one of the allegations why this concession was given to Mr. Watson and to Mr. Stewart was that they had greatly benefited the Nizam by their mode of financing the railroad company?—I only know what I have seen in the Parliamentary Papers.

366. You have seen it in the Parliamentary Papers?—Yes.

367. I presume you know all about this railroad company?—All about it! I know as much as most people know, I suppose.

368. Can you tell us about the original company. There was an original railroad company in Hyderabad?—I know nothing about the original company except from hearsay.

369. The original company was a State company, practically worked by the State, that had issued debentures?—It issued some 6 per cent. debentures for half a million, and half a million of shares in India.

370. Guaranteed shares?—Guaranteed shares, 5 per cent.

371. The original was the Hyderabad State Railroad; what was its length?—It was 120 miles long.

372. Then Mr. Watson purchases this railroad?—Yes.

373. Well, he finances it; the company purchased it?—He got up the company.

374. He brought out the company to purchase it?—That is so.

375. These were the terms, were they not; I am reading from the prospectus, 500,000 l. in fully paid-up shares?—Yes.

376. £. 625,000 in cash to be applied by the Government in acquiring the interest of the English shareholders?—Yes, that is so.

377. £. 200,000 in cash to be deposited with the company's bankers as the first payment to the guarantee fund above mentioned?—Yes.

378. And 341,666 l. in cash to the Government?—Yes.

379. The capital of the railroad was 2,000,000 l., was it not?—Yes, it is so, in shares.

380. Besides that it had a right to issue two and a half million pounds debentures?—Yes.

381. The Nizam's Government guaranteed upon the total issue of shares and debentures 5 per cent., did not it, for 20 years?—Five per cent. upon the shares, 4 per cent. upon the debentures, with 1 per cent. more for sinking fund.

382. So

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[Continued.]

382. So that that would be the same thing; and that was for 20 years?—Yes, 20 years.

383. I have got it here. The first guarantee upon the railroad would amount to 55,000 l. per annum, would it not?—On 3,000,000 l. altogether.

384. The first railroad, I am speaking of?—A short railway; 120 miles.

385. That would amount to 55,000 l. per annum?—Well, I do not know, that is 30,000 l. in England.

386. With 25,000 l.?—With 25,000 l.; and there were a great many more debts; money borrowed from the native money lenders at 9 per cent.

387. They had to pay them off, I suppose?—I do not know whether they have done so or not.

388. They may or may not; however, we will only deal with this 30,000 l. and 25,000 l.?—I know nothing of the old railway, and had no connection with it, and can only speak from what I have heard.

389. You have heard that?—Yes.

390. You do not know what that railroad was paying, do you?—Yes.

391. What?—I do not think they ever earned 30,000 l. a year.

392. What would the average be about?—I should say about half that.

393. £. 15,000?—I have got the exact figures if you like to have them.

394. I will take it at 15,000 l.; I am only going cursorily into this; that would be 40,000 l. a year that it would cost the Nizam, would it not?—I do not know how much it cost him; there were many other debts he had to pay.

395. That is his own affair; he had to pay them off; in this railroad there is 625,000 l. with the amount paid; the total was 1,666,000 l. upon the railroad?—Yes.

396. Of this, 625,000 is given to the Nizam to pay the English shareholders?—It was set apart for that purpose, but to some extent it was not used, because the old shareholders took the new shares, therefore they did not want the cash.

397. But, whether they did or not, it would be the same thing; they took an equivalent in shares for it?—Yes.

398. Nothing is set apart here for Hyderabad shareholders?—No, the Government of India would come against the claims of any person upon the railway.

399. Then the Government had to meet these claims?—Yes, probably.

400. So that the 500,000 l. in fully paid-up shares would be less than the equivalent of 500,000 l. of the old shares, because one was perpetual, and the other for 20 years?—The English shares.

401. The 500,000 l. shares, which were given to the Nizam, of the new Company, would be an inadequate equivalent for the 500,000 l. obligation he was under to the shareholders of the old Company?—It would depend upon the price you could buy the old shares up at.

402. He had given a perpetual guarantee, had not he?—I do not know that even.

403. We will assume, and get it from someone else, that he had given a perpetual guarantee; he had given a perpetual guarantee to the English shareholders?—Yes; 6 per cent.

404. And you do not know whether he had given a perpetual guarantee to the old shareholders?—No, I do not know what the condition of their holding was.

405. But he did issue the 500,000 l.?—So I believe, from all I have heard and read since then.

406. Taking off the 625,000 l., because none of that would go to the Nizam?—He had to pay off the old shareholders.

407. Then there would remain 200,000 l. in cash to be deposited with the Company's bankers as the first payment on the guarantee of the Nizam; he would not touch that, would he?—He would get the interest on it.

408. Then, besides that, he would receive 341,666 l. in cash?—Yes.

409. He did not receive that 341,666 l. in cash?—He took debentures in exchange.

410. He took it because the Company did not pay him?—No; we asked him

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[Continued.]

if he would help us because we thought we had not enough cash to construct a sufficient quantity of line.

411. You asked him whether he would help; but you had not paid it up at that time?—The share capital?

412. You had not paid the Nizam his money?—At the period he took the debentures we had about paid him all.

413. How had you paid it all; did he give you back the money?—By accepting debenture capital.

414. Will not you find it stated in Abdul Huk's statement of the thing that he took 100,000 £. in cash?—That is so.

415. And 241,000 £. in debentures?—Yes; that is so.

416. Consequently, he only did take 100,000 £. in cash?—£.100,000 in cash; the rest he took in debentures at a large discount.

417. This 100,000 £. which was all he received in cash apparently, he got, putting aside the 200,000 £. which he had to put up; he got 241,000 £. in debentures for his railroad, and 100,000 £. in cash; is not that so?—Yes; that is so.

418. Out of this cash he had to pay 83,000 £. odd to Abdul Huk, had he not, as commission?—So we understood afterwards.

419. You knew it, did not you?—We did not know it until it was paid; we know it now from Salar Jung.

420. Eighty-three thousand pounds; he had moreover, I find from the accounts, to pay 4,500 £. to the old directors of the Company?—The old committee of the 6 per cent. bonds.

421. The old committee?—Yes; I do not know how much he paid them.

422. I have here the accounts (I suppose they are quite correct), put in by Abdul Huk?—I cannot vouch for his accounts being correct.

423. We will take it that they are; you have got the documents of your Company, I presume?—I am a director of the Company; not the secretary. I have no documents whatever.

424. But you can get them, can you not?—The secretary is here with them.

425. This purports to be, in the Yellow Book of Abdul Huk, a copy of general accounts between His Highness the Nizam's Government and the National Provincial Bank of England, as supplied by the bank from time to time?—I have no knowledge of that account whatever.

426. The Company would not have that?—No.

427. We could get this from the National Provincial Bank?—I have no knowledge of that account whatever.

428. Have you seen the Yellow Book?—I have seen the Yellow Book. I believe it is a book published by Abdul Huk, and that he has been suspended for publishing it, and for certain other reasons.

429. We will take it at 83,000 £. without going any further; we will not go into the question of compensation to the old directors, 83,000 £.; that you know was paid over?—The Minister has informed the Railway Company that it was paid.

430. So that with the 83,000 £., that would be 17,000 £., would it not, that the Government would receive, not 100,000 £.; the Government would receive 100,000 £., and would have to pay out the 83,000 £.?—Quite so.

431. Consequently the Government would have received for beneficial purposes, after it had paid out the old shareholders, 241,000 £. in debentures?—Which are now above par.

432. "Which are now above par;" well, we will not go into why they are above par?—No.

433. There is 17,000 £. in cash and 200,000 £. that he had to pay up as a guarantee?—£. 200,000 deposited with trustees.

434. What does he have to do in consideration of this; he has to give a guarantee himself of 100,000 £. upon the share capital of 2,000,000 £.?—For which he gets a quarter back, as a shareholder.

435. Never mind whether he gets a quarter back as a shareholder or not; because

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[Continued.]

because the shareholder is to set off the 500,000 £. We have to set this off against the Hyderabad old shareholders?—Yes.

436. Do you follow me?—Yes.

437. Consequently he has to pay 100,000 £. a year on that guarantee to the railroad?—Yes, quite so. That is less his own debentures also.

438. Besides that, 1,000,000 £. sterling of debentures have been issued, have they not?—Of which he holds a quarter, about.

439. Of which he holds a quarter; 1,000,000 £. sterling has been issued, has it not?—Yes.

440. That is 150,000 £. a year (the guarantee with the sinking fund) is it not?—I cannot follow the calculation so quickly as you with the pen in your hand, Sir.

441. On 2,000,000 £. sterling the capital of the railroad; 5 per cent. guarantee would be 100,000 £.—Quite so.

442. One million pounds debentures at 4 per cent. with a sinking fund of 1 per cent. would be 50,000 £., the whole thing, therefore, would be 150,000 £.?—Against the receipts of the railway; against that, remember.

443. Now what are the receipts?—The secretary will speak to those.

444. Can you tell me roughly what the railroad is making now, or what it did make last year, nett?—I have forgotten.

445. It is 50,000 £. that is put down here?—Perhaps you will ask the secretary, because he has the exact facts, and I cannot tell you.

446. So that he did guarantee before 55,000 £. a year on his railroad, and he made 15,000 £., consequently he had to pay 40,000 £. a year?—Yes.

447. He now has to pay 150,000 £., less whatever the railroad is making?—Quite so.

448. He has to pay that for 20 years; and, in consideration for that, he receives 17,000 £. and 241,000 £. of debentures, on which he has the pleasure of paying himself; which gives them their value for 20 years?—Yes.

449. And 200,000 £., which he has had to put up, and cannot touch?—And his country opened.

450. Never mind his country; I am talking about himself, "and his country opened" if you like. Now I want to ask you about promotion money; 100,000 £. was given to Mr. Watson, was it not?—Yes.

451. What for?—For all expenses to allotment.

452. All expenses prior to allotment?—Yes.

453. That was on the capital of 200,000 £. (two hundred thousand pounds), was it not?—The capital of 2,000,000 (two millions).

454. Forgetting this capital under written, that is what it amounted to, I presume?—A portion of it must have been for that, I believe. I have never seen anything of it.

455. We will get that from Mr. Watson. I have asked you these questions in order that the Committee may understand what this railroad really was; and to enable them to form their conclusions whether it was such an excellent financial bargain on the part of Mr. Watson to the Nizam's Government that the Nizam out of absolute gratitude made him a present of 850,000 £.; but we will get the rest from Mr. Watson. I do not ask you about those other matters. You are the Chairman of this Company, are you not?—Yes.

456. You were, I think, one of the original subscribers?—Yes.

457. Of one share?—Of 100 shares.

458. Original subscriber?—That is in the memorandum in the book on the same day I subscribed the whole qualification.

459. You subscribed 100 shares?—Yes.

460. Those are 5 £. shares?—Yes.

461. Have you got them now?—No.

462. You sold them to Watson, I believe?—I exchanged them for fully paid shares.

463. Were they fully paid when you exchanged them?—No; 5 £. paid.

464. When did you exchange them?—Mr. Watson relieved me of those; but since then I have bought shares of my own at a premium.

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465. You

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[Continued.]

465. You subscribed this 100 5 l. paid shares. Mr. Watson then relieved you of them?—A month or two afterwards.

466. That is to say he gave you back the 500 l.?—Yes; he gave me back, and took the shares off my hands.

467. He gave you back the 500 l., and took the shares off your hands?—Yes.

468. Was there any understanding to that effect when you subscribed?—No.

469. Not the least?—No.

470. You did not anticipate it in the least?—I did not anticipate it at all. The question had not arisen. Mr. Watson asked me if I would be a director, I said I would. Then it was necessary that I should subscribe 100 shares, which I did.

471. Then he took them off your hands?—Yes.

472. After you, as one of the directors, and one of the shareholders, had voted in favour of his having this concession?—Yes.

473. You gave him 850,000 l.?—He gave himself.

474. Well, you gave him?—I was on the board of the Company.

475. The board gave it?—The Company gave it.

476. You and two other gentlemen, I think?—The Company.

477. Two other gentlemen, each of whom subscribed one share—they were the board?—No; each of them subscribed 100.

478. Mr. Watson himself was one, I presume he did not vote?—He was not in the board at that time.

479. Very well then, Mr. Milne and Mr. Hemmerde and you were the directors, were you not?—Yes.

480. Mr. Hemmerde had subscribed for one share?—One hundred immediately after.

481. Had Mr. Milne subscribed for 100?—One hundred, also.

482. Has Mr. Milne, to your knowledge, been relieved of his shares?—That I do not know.

483. Do not you know whether Mr. Hemmerde has?—That I do not know. I think he is a large shareholder.

484. Then when Mr. Watson relieved you of those shares you had to have a qualification?—Yes.

485. Mr. Watson handed you over 100 fully paid up?—I had 100 fully paid up from him.

486. Did you pay for them?—I have to pay for them when the Company begins to pay a dividend.

487. Then you have not paid for them at all yet?—No.

488. In fact, some day you have to pay for them?—Or give them back.

489. In fact, I may say, I do not put it in an offensive sense, that you were qualified as a director?—It comes to that at that time. I have since purchased shares for myself in the market at a premium.

490. Still, at that time, you were qualified?—Yes.

491. And you still say that when you paid 500 l. for the shares (when almost immediately afterwards you were relieved of those shares by Mr. Watson taking them and giving you others, qualifying you with his own promoter's shares), that you had not the slightest idea that this was going to occur; there was no arrangement of any sort?—No arrangement of any sort or kind.

492. You left, and you supposed it would occur?—No; I did not think about it. I was asked to subscribe and did subscribe, and when I had to pay another 500 l. on the shares that I knew was falling due, I asked Mr. Watson if he would relieve me of those shares and let me have others instead, so as to relieve me of the liability to pay up the other 5 l. per share.

493. Then he gave you back the 500 l.?—Yes.

494. So he did more than relieve you of the shares and exchange them, he did not exchange them for half the number, or anything of that sort?—No.

495. You heard the evidence of the secretary of the Company, did you not?—Yes.

496. Can you confirm that evidence?—In some points. The secretary of the Company

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[Continued.]

Company has only been very lately appointed, and he had not got a very good grasp of what we had been doing.

497. Would you like to say anything of what you have been doing?—I should like very much.

498. Certainly; then say it?—I should like to say that the Company has entirely occupied itself since it was formed in doing its best to develop the mining property; and that we are still doing a great deal, and that we have most excellent reports from our staff out there.

499. *Chairman.*] Are those reports in writing?—In writing.

500. They must be put in please?—Certainly.

501. Mr. *Labouchere.*] Will you produce them?—The secretary has got them.

502. Are those the reports that have been put in?—I do not know, I suppose he has put in every report.

Mr. *Pember.*] I could not catch what reports they were.

Witness.] There have been recent reports from the superintendent of the prospecting department of the most favourable nature to the Company.

Chairman.] Those are the reports the Committee have obtained, and they speak for themselves.

Mr. *Pember.*] I think there are later ones.

Chairman.] I asked for all. They must be produced by the secretary, if there are any others.

Witness.] By the last mail, I think.

Chairman.] The Secretary will produce any reports he has.

503. Mr. *Labouchere* (to the *Witness*).] You heard the secretary say there remained to the Company out of the 150,000 l. about 88,000 l.?—I believe so.

504. And that you are now producing with your outlay of the rest of the money (64,000 l.), 150 tons a week?—We have hardly commenced operations yet.

505. That would not pay at all; it would not pay working expenses, the 150 tons of coal; you have not yet discovered any diamonds?—The ground has not been opened yet beyond the mere prospecting.

506. Still you are prospecting there. Do you consider, as the chairman of the Company, that 60,000 l. additional expenditure would be sufficient to open up this coal-field, to send out machinery, and to open up the diamond fields?—Quite sufficient for the purpose of proving its value.

507. Then all the Company intends to do is to prove the value of the things?—If we have no more funds; we cannot do more without raising further funds.

508. Has the Company anticipated that?—We have ample powers of raising money; ample powers of raising debentures and to sub-lease our properties.

509. Do you imagine that you would be able to raise debentures on a fancy capital of this sort?—If the property was a good one, certainly.

510. But in any case the Company itself would have had, if it had not issued these shares to Messrs. Watson and Stewart for nothing, a large amount of the share capital that it could have issued when it wanted money?—The Company was Messrs. Watson and Stewart.

511. How do you mean that the Company was "Messrs. Watson and Stewart"?—Except five others, practically the concessionnaires became the Company.

512. The concessionnaires undoubtedly became the Company; but still when the Company was formed (no matter how it was formed), the Company then did wholly issue 150,000 l. worth of shares, got the money for them, and gave Mr. Watson 850,000 l. worth of shares for his concession?—Gave them the paper, Yes.

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[Continued.]

513. Did no one suggest at the Company's meetings that this was hardly what was intended?—Everybody concerned concurred in it.

514. What, these gentlemen, Mr. Hemmerde, and Mr. Milne, with the one share?—Yes.

515. He got made secretary of the Company after concurring?—Yes.

516. You with your 100 shares got them taken off your hands?—Yes.

517. You concurred?—Yes.

518. And Mr. Hemmerde, "bank manager," manager of what bank?—The Ottoman Bank.

519. He also concurred?—Yes.

520. That is what you call "The Company" concurred?—And the other shareholders.

521. Who were "the other shareholders"?—The concessionaires.

522. Naturally they would; if you offered me 850,000 £. I should concur?—They only had the paper from themselves.

523. Yes; but they sold it to the public?—That is a question afterwards; it was not at that time. At the time I concurred there was no question of the public at all.

524. Do you mean to say that you did not anticipate at that time that they were going to sell any of those shares?—Not at a high price certainly; and we anticipated proving the value of the shares first.

525. You anticipated that you would be able to prove it?—Yes.

526. Have you ever seen this paper before?—Within the last few days it has been shown to me.

527. Never before?—Never before.

528. You have read it?—I have just looked through it.

529. Did you concur in the views contained in it?—I think most of it appears to be quotations.

530. Never mind, I will not trouble you about that?—I do not know anything further about it.

531. Then you and these other gentlemen who concurred anticipated that the shares would be sold to the public?—Eventually.

532. And you were surprised that they were sold at so high a price?—Very much.

533. Did not you think them worth it?—I thought they would be worth it.

534. How did you think that?—Because I had read the whole account of the mineral resources of the Nizam's State.

535. How do you know they had not read it?—Possibly they had.

536. Possibly that is why the public bought them; you knew perfectly well that the intention was to sell these to the public?—Eventually.

537. Well as soon as the public would buy them?—As soon as the public would buy them.

538. That is about it; you were present at the board when the first allotment was made of the 85,000 shares?—Yes.

539. Were you present on the 30th August when these were distributed?—I think so. The book will show.

540. Then you know that those were distributed amongst Watson, Stewart, Sharp, and Winter?—No, they were given in one certificate to Watson and Stewart.

541. They were transferred to the two allottees?—I only knew it by seeing the transfer books.

542. Were you aware that Henry P. Sharp was one of the gentlemen who who were to profit by this?—Not until he got his shares.

543. Were you aware that Mr. Winter was?—No.

544. Was Mr. Winter the solicitor of the Company?—No.

545. Not?—I never heard of it.

546. Who has been solicitor of the Company?—Here in this country, do you mean?

547. Yes?—Bircham and Drake.

548. Who is the solicitor in India?—I do not think we have a solicitor in India.

549. Winter

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[Continued.]

549. Winter was then, I presume, the solicitor of the concessionnaires?—I believe so.

550. You did not know that he was one of the concessionnaires himself practically?—No.

551. Nor that Mr. Sharp was one?—No.

552. Nor that Mr. Forbes was?—No.

553. Was Mr. Forbes?—That I do not know even now.

554. *Chairman.*] You appear as a director upon the 10th August 1886; who introduced the subject of this Company to you?—I was formerly secretary to the railway company, and I had been familiar for a long time with the fact that this Company was going to be started when the concession was obtained.

555. When were you asked to become a director?—I think the subject was mentioned to me some months before the Company was formed.

556. By whom?—By Mr. Watson.

557. He was one of the concessionnaires?—Yes, and Mr. Stewart. They both spoke to me.

558. You have told Mr. Labouchere, a member of the Committee, that you knew that eventually the whole of those shares would reach the public?—I do not know about the whole of the shares. I suppose when they took the shares they meant to sell them; otherwise they would be of no use to them.

559. The chief object of the transaction that took place would be to cause the shares to come into the hands of the public, would it not?—I supposed they would sell their shares, if they could get a sufficient price for them.

560. Did you regard yourself as a person who ought to protect the interest of the public who would probably afterwards receive those shares?—No, there was no public to protect the interests of at that moment.

561. No, no; but you knew the shares would probably reach the public?—Yes.

562. Who would look after their interest?—The future public, do you mean?

563. The public who were to be, according to this transaction, the holders of these shares to the extent of 850,000 £.; who was looking after their interest?—I suppose they were looking after their own interest.

564. That would be when they received the shares?—When they purchased the shares.

565. I see you are, according to this statement, a member of the Bar?—I have never practised at the Bar.

566. It is mentioned here that you are a barrister-at-law, and therefore a member of the Bar?—Yes.

567. When you became chairman of this Company did you consider you had no duty to perform towards the persons who intended to be shareholders here?—I do not think I had any duties to perform except to my Company.

568. Of whom did you consider your Company to consist?—Of the shareholders at that moment.

569. Only of the shareholders at that moment?—Only of the shareholders at that moment.

570. Then do I understand you were careless of the interests of those who were intended to become shareholders?—I do not know who were intended to become shareholders.

571. The public?—I do not think I was the general protector of the public.

572. Not of that portion of the public who would become shareholders; is that what you mean?—That is a very indefinite word, and a very indefinite quantity.

573. Do I understand that you, as chairman of this Company, were careless whether the public, or that portion of it which should become shareholders, had valuable or worthless shares placed in their hands?—I considered the property was really worth more than 1,000,000 £., therefore whoever bought shares in it would get value for his money.

574. That is what you thought?—Yes.

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575. Now

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575. Now let me see what you did; on the 10th August, you and two other persons, Mr. Hemmerde and Mr. Milne, were the directors; who elected those, Mr. Batten, Mr. Hemmerde, and Mr. Milne?—The subscribers to the articles of association.

576. They consisted of Watson, Stewart, Winter, and Mr. Pearce?—Yes.

577. Then your three selves?—Yes.

578. We know now that Watson and Stewart were the concessionnaires, and that Winter was their solicitor?—Yes.

579. Then the only independent person is Mr. Sharp; who is he?—Independently from the shareholders of the Company. The articles of association declared that the first directors should be elected by the shareholders; there were no others.

580. I see the seven persons mentioned with one share each, you call them *shareholders*. We know now who they were. The three persons who were made directors, the two concessionnaires, the solicitor of the concessionnaire, and a Mr. Pearce. Who is Mr. Pearce?—Mr. Pearce is one of Mr. Watson's clerks, I believe.

581. Those are the whole of the shareholders?—Those are the whole of the shareholders.

582. Now no doubt the two concessionnaires and their solicitor would be doing the best they could for themselves, I presume?—They were shareholders as well as concessionnaires.

583. Shareholders, at that time, of one share each?—One share each; that is nominal to form the company.

584. You need not repeat that they were shareholders; we know to what extent they were shareholders, they were technically so, but actually they were concessionnaires anxious to do the best they could for themselves?—That is right.

585. You have got the agreement of the 16th August; who drew that up?—The solicitors to the Company.

586. Who?—Bircham and Drake.

587. Whose instructions?—I believe Mr. Buckley.

588. On whose instructions, I ask?—I suppose the concessionnaire's instructions. I do not know.

589. The concessionnaires went to Messrs. Bircham and Drake, and told them to draw up the agreement by which they were to get 850,000 £. worth of shares; who checked that agreement to see that it was a fair one?—It was done by the lawyers of the Company.

590. Did you, as chairman, do anything to check it, and see that it was fair?—I thought that it was perfectly fair.

591. Why?—Because there was nobody concerned in it except the parties to it. There was no outside public at all at that time.

592. But you knew these shares were going to the public?—I did not know at all.

593. We have your answer; you knew it was probable, as far as the concessionnaires could place them in the hands of the public, they would; here is 850,000 £. given to these two gentlemen?—Paper.

594. In shares?—Yes.

595. For which they were to get money if they could. I ask you now what steps did you take to see that they were giving value for them?—They gave the concession for it.

596. What steps did you take, as chairman of this Company, to see that they gave value for it?—I read the deed by which they transferred the concession to the Company.

597. What else?—Nothing else.

598. Did you make any estimate of the value of what they made over to the Company?—Do you mean a professional estimate?

599. Any estimate?—I myself thought it a very favourable concession.

600. What steps did you take to ascertain its real value?—I read every paper I could find on the subject.

601. Have

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[Continued.]

601. Have you got the papers you read?—Yes.

602. Where are they?—They are two volumes giving a statistical account of the Nizam's dominions which are in the railway office. There is the report from the Government of India showing the probable large demand for coal, and on the quality of the coal; and I think that is about all. That is all the statistics I could find.

603. This was the right to work there?—To work.

604. How did you come to the conclusion the right to work was worth 850,000 £., if you could get cash for your shares?—It embraces 81,000 square miles of country.

605. Had you consulted any engineer, or anyone, to test whether the coal was there or not?—Yes.

606. At this moment?—Yes, at that time.

607. Who?—Mr. Furnivall.

608. Had you got any report from him?—He had not sent any report home, but the Government of India had sent home geologists' reports.

609. Had you no report from any one employed by the Company?—The Government of India had.

610. What is the report you are referring to?—There is a report of Mr. King's, who is the Government of India's Geological Surveyor; I have not got a copy of it; and there is the report of the Nizam's own surveyor.

611. Did they make any estimate of the money value?—They made an estimate of the quantity and quality of the coal.

612. Did they make any estimate of the value of the right to work?—No.

613. Did you, as chairman of this Company, make any estimate of the capital that ought to be expended to develop the coal mines or diamond workings?—We always intended to spend not more capital than was necessary for prospecting the properties, and letting them to others to work.

614. You knew the public were to be told that the capital of this scheme was to be 1,000,000 £.?—The public were not to be told anything at all.

615. You have told us the public were to have the shares if they would buy them; were you going to keep back from them the fact that the capital was 1,000,000 £.?—No; they would find it in the Registrar General's office.

616. They were to obtain the information in that way if the public were to be informed at all that there was to be 1,000,000 £. of capital; did you take any steps to give the public any information that 850,000 £. of that could never go into the coffers of the Company at all, but into the pockets of Stewart and Watson?—The same process by which the public would be made aware that the capital was 1,000,000 £. would inform them that 850,000 £. of that had been paid away to the vendors.

617. That is your answer?—Yes.

618. Did you take any steps to ascertain whether these two persons, the concessionnaires, had any right to take this 850,000 £.?—I did read the terms of the concession.

619. I understand; I presume that you are referring to this article that is contained in the agreement, the concession?—I am referring to the concession of the Nizam's Government.

620. I think it is the Fifth Article?—Article One.

621. Is that the 2nd Clause of Article 1 that you refer to as giving power to take this 850,000 £. themselves?—It is after the preamble; it is Clause 1, the Company was formed, having for or among its objects the acquisition of the rights and liabilities of the concessionnaires; therefore I presume they would get some price for it.

622. Look at Clause 2; I think that is the one you refer to?—No; Clause 2 simply provides for paying up certain sums of money to release their deposit.

623. You did not think that Clause 2 assisted you?—I think Clause 2 would provide us with sufficient capital for the purposes we then contemplated.

624. I want to know what interest you had in this Company a little more clearly; you paid 500 £.?—Yes.

625. Is that that the necessary qualification for a director?—One hundred shares.

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626. They

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626. They were 100 shares?—One hundred shares, then 5 l. paid.

627. How long did you hold them?—I think they were re-transferred in October.

628. Who paid you back the money?—Mr. Watson.

629. Why?—Because I asked him to relieve me of the liability of paying 5 l. more, which would be another 500 l.; and he agreed to do so, and to give me in exchange a hundred fully paid shares.

630. Why should he do that?—I do not know why he should do it.

631. I want to know have you any reason to give; you have done him no favour; you had not served him, had you?—I had not served him in any particular way.

632. If the shares were par value he was giving you 500 l. in money?—He was not giving me, because I have to pay for them yet.

633. I know, I heard what you said; you were to pay him if the Company paid a dividend?—Yes; or give them back.

634. I have heard that, but why should he, if you have done nothing for him more than any other stranger; put you in that position?—He had a great many shares at that time in his hands. I do not suppose he knew the value of them at that time.

635. He had taken them by virtue of the agreement you had entered into?—Yes.

636. How many shares have you held that you purchased yourself?—I purchased 50 more in, I think, April or May last year, at a premium.

637. Fifty?—Fifty.

638. What premium have they reached?—They have gone up again, I believe, to nearly 4.

639. Have you made yourself acquainted with to what extent Messrs. Stewart and Watson have got rid of those shares, or at what prices, by looking at the transfers?—No, I do not know the prices.

640. Do you, as chairman of the Company, know how many they have sold to the public under those circumstances?—That can easily be ascertained from the books.

641. You did not make yourself acquainted with it from time to time?—I do not know anything about it.

642. I assume you have had no shares from Stewart and Watson but these?—I have not sold a single share or received one farthing of profit from this Company. I have never received a share or received one halfpenny except my director's fees, more than which I have invested in buying shares.

643. Can you tell me why the 850,000 l. was fixed upon, and not 750,000 l. or 950,000 l.?—It was done, I suppose, because it was the balance of the 1,000,000 l. capital.

644. Just so. All that was not bought of the first issue they took and you agreed to their taking?—They took them themselves.

645. And you agreed to it?—Yes.

646. I suppose whatever had been the balance of the first issue you would have let them have?—They practically had the concession, that was the valuable thing they had; whether they represented it by 150,000 shares or 100,000 shares, or 1,000,000 shares, it did not make any difference in the concession. They were the owners of the concession.

647. I do not follow you; why being owners of this concession they should take all the capital of the Company except that which represented the first issue. Why should the concessionnaires take all the capital of the Company unless it is a fair sum to pay them?—They would have been in exactly the same position if they had taken nothing. They would have held the 150,000 l. shares and held the concession.

648. If they had taken nothing how could they have sold 300 or 400 shares to the public?—They could have made their 150,000 shares into 1 l. shares, and sold them to the public.

649. Then they would have paid for their 150,000 shares?—They did pay for those already.

650. I do not understand your view as chairman of this Company. How would they have been in the same position if they had taken nothing compared with

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[Continued.]

with their position as taking 850,000 l. of shares?—If they had taken nothing whatever, and merely subscribed 150,000 l., and retained the 150,000 shares, these shares would have been worth whatever their whole concession was worth.

651. Cannot you work better with 1,000,000 l. capital paid up than with 150,000 l. paid up?—We should have had to put it out on deposit at present; we could not have used it.

652. If you had put it to the public it would have gone into the coffers of the Company, and the Company would have worked with it; but if you put it into Watson and Stewart's pocket what do the Company get by it?—They were the Company by themselves.

653. And to take all they could get?—They were the Company.

654. They were the concessionnaires; how were they the Company?—They subscribed for the whole of the shares except very few.

655. Subscribed; and what had they paid for them?—£. 150,000.

656. You take the subscription of 150,000 l., which is called in your books a subscription on 15,000 as subscribed for the whole shares?—They purchased the whole concession.

657. Now do they by purchasing the whole concession therefore become the owners of the whole company?—There was no obligation to issue any more shares.

658. No; but why should they take them; why should they take the 850,000 l. of shares and sell them?—All I say is, it did not alter their position. They were already the owners of the concession. If they had taken nothing, they would still have been owners of the concession.

659. Suppose they get, say, 50,000 l. or 100,000 l., for the concession, that is a very different thing to taking 850,000 l. for shares?—It is a paper transaction only.

660. Do you represent here, as chairman of the Company, that it is a paper transaction giving them shares to the amount of 850,000 l., and letting them go and sell them to the public for what they can get?—They purchased paper.

661. Paper which they could sell?—I did not know at the time what they could sell it for.

662. Not to sell, but you told a member of the Committee that they were to sell it for what they could get?—They must have taken it for the purpose of making a profit out of it.

663. Sir Richard Temple.] I should like to ask you one question about the railway. What is the length of the open line in the Nizam's territory?—The length of the old line is 120 miles, and we have added on, I think, something like 330 altogether; it is not quite open yet, the whole of it.

664. Then the open line is about what?—It is finished all but about 50 miles, I think.

665. Then the open line is about 300 miles, and there are about 50 more to be opened?—Yes.

666. So altogether when constructed there will be 350 miles of railway?—Yes.

667. And upon that, if I understand rightly, the Nizam will be paying about 150,000 l. a year, is it not so?—Yes.

668. Net payment?—Less the earnings of the railway.

669. Less the net earnings?—Less the net earnings.

670. What will that amount to?—When the railway is finished through to the Government of India line connecting with Guntakul we hope it will pay its guarantee, and that the Nizam's Government will be entirely relieved of paying anything.

671. How long will that be?—It will be opened next year, I suppose.

672. Then did I understand you to say that for this present payment of 150,000 l. the Nizam will have the benefit to his country of about 300 miles and upwards of open line?—The opening of through lines connecting east and west with British territory.

673. Connecting north-east and west with British territory?—And connecting his railway with the coal mines.

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674. That

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[Continued.]

674. That you consider a large economic benefit to the country?—An enormous benefit.

675. And you seem to think, do you not, that that benefit is cheaply purchased by a payment of 150,000 *l.* a year for the present?—Certainly.

676. Then might I ask a question about this; will you please look at that balance sheet (*handing the same to the Witness*). You see that is signed by as chairman?—Yes.

677. It is also signed by a Mr. Van de Linde?—Mr. Van de Linde, the auditor.

678. That has been audited then?—Yes.

679. There are two items, one on the debit and the other on the credit side of 850,000 *l.*?—Yes.

680. Underneath that item on both sides of the account there are several other items?—Yes.

681. For those other items I presume the auditor saw vouchers, did he not?—Yes.

682. Is it not so?—Yes, certainly.

683. For that 75,000 *l.* he would have seen a voucher from the bank?—Certainly.

684. On the expenditure side he would have seen the vouchers for the various expending authorities, would he not?—Yes; he says he has audited it from the books and vouchers.

685. But he has examined the vouchers?—Yes.

686. Now, might I ask after that, what vouchers did he receive or could he have received for that 850,000 *l.* on both sides of the account?—He would look at the contracts, the agreements between the concessionnaires and the Company.

687. And those documents he would regard as vouchers?—Those would be the vouchers.

688. The capital was 1,000,000 *l.*, was it not?—Nominal capital.

689. The nominal capital was to be 1,000,000 *l.*?—Yes.

690. £. 150,000 is expended, or is shortly to be expended, upon the beginning of the working of the mines?—No; and in prospecting and proving the value of the different properties.

691. But not in working them at all; why?—In working them to a certain extent; also for the purpose of proving them.

692. If they are to be worked that represents the balance of 850,000 *l.*, does it not, upon the proposed capital?—I do not quite understand the question.

693. The proposed capital is 1,000,000 *l.*?—Yes.

694. £. 150,000 are expended, or are shortly to be expended, on probing and testing, and beginning the work?—Yes.

695. That leaves a balance of 850,000 *l.*?—That would be paid away to the concessionnaires.

696. If there should be further workings necessary, or further capital necessary, that would have to be taken from the 850,000 *l.*?—Or got in some other way.

697. But if this 150,000 *l.* has been raised by Mr. Watson by shares sold to the public, how is the capital to be got in any other way?—If you look at the concession you will see that the Company has power to raise further capital by debentures or otherwise. It also has a power to sub-lease and assign its properties, and our view has always been from the commencement that that was the way we were to use our capital.

698. Then what was Mr. Watson to do with the 850,000 *l.*?—He received the shares for that value, and he disposed of them to the best advantage.

699. But was that to be his personal profit?—It might have been his loss if he had not been able to sell them. He would have lost his 150,000 *l.* if the thing had not paid. If it had turned out a *fiasco* the 150,000 *l.* paid by the concessionnaires would have been lost.

700. But if he raises this 850,000 *l.* from the public by disposing of the shares, does he not hold that in trust for the Company?—I should not think so; I should not think he would consider it so himself.

701. Does

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[Continued.]

701. Does he not hold it as a fund from which further capital is to be drawn for working the mines?

Mr. Littler.] That certainly is not Mr. Watson's view, Sir.

Witness.] That is not his view.

Sir Richard Temple.] I ask the questions and I wish to have these answers; I am expressing no opinion; I am wishing to have these answers in sworn evidence.

Witness.] I cannot tell what Mr. Watson's own views may be, but I should suppose he does not consider that he holds these in trust for anybody.

702. With what view then were the public to buy these shares?—To make money on the working of the concession. When the concession was worked profitably the shareholders would receive a dividend on their shares.

703. But the shares were all held by Mr. Watson?—They purchased from him. Persons purchase a certain amount of concession. I believe Mr. Watson has a very large holding still. A person who has purchased Mr. Watson's shares, if the Company makes profits, will derive a dividend from those shares.

704. How are the public to be paid on their shares which Mr. Watson's has?—I will give you an instance. We have now reported 550 square miles of gold bearing country. A great portion of it is shown to be readily auriferous and another portion has been shown to be riddled with old workings. If these aspersions on the Company had not taken place we should very likely at this time have sold that property for 1,000,000 *l.* The shareholders would have got the 1,000,000 *l.* back, and kept their diamond and coal-fields and everything else to the good.

705. Mr. M'Lagan.] You say that this 1,000,000 *l.* was the value of the concession?—Yes.

706. Was it not distinctly understood that the 150,000 *l.* was to be raised first or to be given for the purpose of prospecting?—I have stated that that was our idea, to use it in prospecting and proving the properties.

707. After you had prospected and found the metals there, the balance you expected to be laid out in working the fields?—No, we hoped to sell the properties then to other companies. It is absolutely impossible that the Company could work 81,000 square miles, and we should always propose to dispose of our properties the moment we could find a purchaser who appreciated their value.

708. If you had done so you would have got the money?—Quite so; the capital and a further guarantee to expend by the parties who purchased the properties, because without the expenditure of capital the properties would have been of no use to them.

709. Is it not what you call "watering" a company very much when you give about seven or eight times the value of the money actually laid out?—I do not know anything about "watering." I know very little about Stock Exchange matters.

710. You said it might have turned out a *fiasco*; you said you had read all the reports that came out before; did not you know there were minerals found there before, or did the concessionnaires not know?—We knew there were indications of great mineral wealth totally untouched requiring expenditure of capital to prove them.

711. Are you aware of those minerals ever having been let out before to anyone?—Yes.

712. To whom?—They were let by the Nizam's Government; a large district of coal and iron mines was given away gratis to a Bombay firm for 50 years.

713. Do you know the name of the firm?—There was a Parsee named Dinshaw Manockjee Petit; he was the nominal concessionnaire; the real concessionnaires were Messrs. W. Nicholl & Co.

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714. But

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[Continued.]

714. But were not the Garidpett Hills there let to any other person?—I do not know that.

715. And all the machinery taken from him, and given to your Company, I believe?—We never bought any machinery from anyone.

716. I know you did not buy it; you got it for nothing?—We got no machinery that I am aware of.

717. Then you must have known, at all events, when the minerals were let before that it was no *fiasco*?—They were given up as being worthless.

718. No; they were being worked at the time that this concession was given?—I am not aware of that at all.

719. Perhaps we may get it in other evidence?—I was not aware of it before.

720. Mr. *Bristowe*.] I understand there never was a prospectus issued by this Company at all?—Never.

721. And the only thing approaching to a prospectus is this private memorandum, called the Hyderabad Deccan Mining Company, which you, as a director of the Company, have never seen until the last two or three days?—The last month.

722. Are we to clearly understand that this was never issued from the office of the Company?—Never issued from the office.

723. Although it has no address on it, you are accustomed to companies, and I imagine you are well aware that documents of this character, as a rule, are never issued except by the companies themselves?—The Company never issued it, and I know nothing about it.

724. Then would you consider this a fraudulent document?—No, certainly not.

725. Do you know who issued it?—Mr. Watson showed it to me; within the last month he showed it to me.

726. It is dated 1886?—I will explain that; it was drawn up by him for the benefit of his own friends.

727. That is the point I want. It was drawn up by Mr. Watson for the benefit of his friends, and not issued in any way to the public at all?—No, it was private and confidential, for the information of his friends.

728. For the information of his friends, and had nothing whatever to do with the public?—No.

729. Mr. *Pember*.] Not issued to the public?—No, it was not issued to the public. I know that.

730. *Chairman*.] You have said it was your intention and your view always that 150,000 *l.* should be spent in prospecting or testing the qualities of the ground?—Proving.

731. Where did you get that view from. Is it in any document or in your own mind only?—We have talked it over at the board. In fact, it was mentioned to the shareholders at the very first meeting of shareholders.

732. I have got no minute here of a shareholders' meeting; do you mean that it was the meeting of the 10th of August?—No, the statutory meeting of the shareholders.

733. You resolved on the 10th August 1886 that 100,000 *l.* should be spent in prospecting and testing?—Yes.

734. Then there were you three gentlemen of one share each?—Not one share each.

735. Yes; indeed you were three gentlemen of one share each?—I think on the same day you will find we had 100 each.

736. On the morning you met you had one share?—

Mr. *Pember*.] Might I ask a few questions for the Company?

Mr. *Littler*.] I also should like to ask a few questions.

Chairman.] For whom do you appear?

Mr. *Littler*.] I appear for Mr. Watson.

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[Continued.]

Mr. *Pember*.] I appear for the Company; he is my Chairman. I think the questions ought to come from me first.

Chairman.] Well, settle it between yourselves. What are the points on which you want to ask questions?

Mr. *Pember*.] On the two agreements of the 16th and 17th of August; and another point was as to the information given to the public, and the relations between the holders of the 85,000 shares and the public; and, lastly, just a question or two arising out of the clauses of the concession themselves.

Mr. *Littler*.] There are one or two questions beyond that that I want to ask about; the railway and various other things.

Mr. *Pember*.] That does not touch me.

Mr. *Littler*.] I cover more ground than my learned friend.

Chairman.] I gather from the Committee their view is that Mr. Littler's client is rather more affected by this evidence than the Company; and Mr. Littler ought to bear the chief burden of this cross-examination.

Mr. *Pember*.] Very well, Sir; but you will not prevent my asking some questions.

737. Mr. *Littler* (to the *Witness*).] First of all, as regards the railway company, the railway concession, as you have stated to the honourable Member for Northampton, was obtained by Mr. Watson; is it a fact that before that time there had been attempts through Rothschild's, Barings, and Morton, Rose, and Company, to get the railway started?—I believe they had all been asked and refused. Rothschild's, Barings, Matheson, and Morton, Rose, and Company.

738. Then it was no light matter to get this money at all, was it?—I should think it was exceedingly difficult.

739. You also told the honourable Member that Mr. Watson received 100,000 *l.* for what we may call floating the capital of the Company; do you know he actually had to pay 5 per cent. on the capital in order to get anyone to take it?—I understand he had paid 4 per cent. for underwriting, and 1 per cent. for brokerage.

740. That, of course, out of the 100,000 *l.* would leave only nominally 15,000 *l.*?—Just so.

741. Do you know that actually he suffered loss on the transaction?—So he has always informed me. I have never seen the figures.

742. So far from making any profit whatever, it was an absolute loss to him?—So he has often told me.

743. Do you know or not that that was one of the arguments used with the Nizam's Government for the purpose of getting the mining concession?—Yes, I know that from the Parliamentary Papers.

744. The mining concession, as you have said, had already been in somebody else's hands; is it a fact that without the railway the mining concession was comparatively worthless?—It was worthless, and therefore was thrown up.

745. You also know that when the mining concession was discussed the Nizam's Government absolutely refused to deal with that until the railway was dealt with?—I do not know that. I have been told so.

746. Of course you will kindly confine yourself to that only which you know. The railway has not been long opened throughout, has it?—It is not open throughout yet.

747. Are the present earnings any test of what the railway is worth?—None whatever. The railway ends in a jungle at present.

748. When Mr. Watson had raised a million and a-half we will call it for the railway first of all, I think the Government got repaid the capital cost of the first railway of 850,000 *l.*, did not they?—That would be repaid them.

749. It was only earning one per cent., was it, or less than one per cent.?—I think they never earned more than 30,000 *l.* or 35,000 *l.* at the very highest.

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[Continued.]

750. In addition to being relieved of that is it the fact that they were relieved of the six per cent. preference stock the guaranteed interest stock of 500,000 l. ?—I believe Mr. Watson arranged to redeem all that, and has done so.

751. That relieved them of 30,000 l. a year ?—In perpetuity.

752. And in addition to that were 15 lakhs of rupees in the Bank of England deposited to guarantee the interest released ?—That was released also.

753. That is roughly 150,000 l. ?—It used to be.

754. Unfortunately that is not now, it is 120,000 l. now ?—I suppose it is now.

755. I believe at the present moment the Nizam's Railway shares stand at about 10 premium. do not they ?—About that or 11.

756. For some time after Mr. Watson first converted them they were down to 25 discount, I believe ?—They were at a discount two years at least, if not more.

757. Until this Inquiry, about 20 premium I believe was the last quotation ?—118 to 120.

758. At the present moment what are the fully-paid shares of the Mining Company quoted at even notwithstanding this Inquiry ?—Somewhere near 7 I think.

759. They are quoted at 7 notwithstanding this Inquiry ?—I understand they are. I have not bought any.

Chairman.] We do not know whether this Inquiry will add to the value of the shares or not.

760. Mr. Littler.] I will leave out those shares then, Sir. (To the Witness.) At the present moment what are they quoted, 7 ?—Somewhere about 7, I think.

761. Chairman.] Are they 5 l. shares paid ?—£. 10.

762. The fully paid ?—Yes ; all fully paid.

763. Mr. Littler.] All fully paid now, Sir, and whether blue shares or red they are quoted at 7 ?—They are quoted at 7 ; there is no distinction between the shares now.

764. Does Mr. Watson at the present time hold about 10,000 of those shares ?—I believe so ; the secretary will tell you. I do not know the number he holds.

765. If you cannot tell this we shall have to get it from somebody else, but until after the end of September 1885 there were no money dealings in those shares at all worth speaking of, were there ?—I do not think there were many shares sold.

766. The Right Honourable Chairman has had pointed out to him that there were a good many before for nominal considerations, but there were not many sales to the public until after the end of September 1886, were there ?—The Transfer Register will show ; but I do not think there were many sales until November.

767. Both the agreements of the 16th August and 17th August were almost immediately registered in the Joint Stock Company's Office, were they not ?—I believe at once, or within a few days.

768. So that all the world had got that which the law regards as an intimation ?—Yes.

769. In November and onwards from November there were a good many dealings, were there not, in purchases by the public ?—Yes, I believe so. I had a great many transfers to pass ; I know nothing of the dealings except as they came before me as a director to pass the transfers.

770. Can you tell me this : after the end of September, so far as you know, were there any dealings by Mr. Watson except dealings in which he actually received cash for the shares, so far as the Company's books show ?—I do not know.

771. Then I want to ask you again as regards the concession, as honourable Members know the concession itself contemplated the Company sub-leasing to other people ?—Yes, there is a clause to that effect.

772. That

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[Continued.]

772. That is the clause, is it not, which says the Government of the Nizam shall not be bound to accept any lessee, but that they will usually not refuse to do it if he is solvent ?—That is so.

773. You say you have never seen that prospectus until the last month or so. You have read it now, have you not ?—Not very carefully, but I have looked through it.

774. So far as your judgment goes on the matter, and knowing what you do know of the Company, is that in any sense a fraudulent representation of the Company ?—Not at all ; I think it is perfectly justified.

775. If a person bought upon that he would not be buying upon a misrepresentation, in your judgment ?—Not at all ; it is an under-statement, if anything, from what we know now, I think.

776. So far as you know has any individual shareholder of the Company complained of being misled ?—Not one. To this moment I have never had a single letter from a shareholder complaining that he was not knowing what he was doing or in any way complaining of his position in the Company.

777. Mr. Pember.] With regard to these agreements, they were drawn before you had any connection with the Company at all ?—Yes.

778. You had no hand in giving instructions for them whatever ?—None whatever.

779. And did you consider, looking at the terms of the agreement of the 16th and 17th August that you merely had an administrative direction to execute the deed ?—That is so.

780. Everything that was done with regard to the arrangements for these fully paid-up shares was done incidental to the Company, as it were, coming into existence ?—It was all arranged before the deeds were brought for execution.

781. My learned friend, I think, made one slight mistake ; but, at all events, even if he did not I should like to get it clear. The memorandum of the articles of association and the articles themselves, and the agreement of the 17th August, of course, are all deposited in the public offices ?—That is so.

782. But not the agreement of the 16th August ?—No ; it is referred to in the agreement of the 17th.

783. Now, with regard to your having to take care of the public, have there ever been any relations at all between the Company and the public ?—None whatever.

784. Has the Company *qua* Company ever given any information of any kind or description to the public ?—To nobody except their own shareholders.

785. Chairman.] And the Registrar's office.

786. Mr. Pember.] Except what appears on the registry. So that if the public had consulted the register, they would have seen that these 85,000 shares might have been paid-up ?—They might have seen the facts of the transaction.

787. As soon as the contracts are filed (and the contracts are filed), but so far as the public are concerned, if they have liked to go and buy these shares in the open market, they have bought them at their own risk, and without any published notification of the Company at all ?—Yes.

788. As to the question you were asked as to whether you considered it right and proper under Clause 1 of the concession that those shares should be taken over as fully paid-up shares ; have you had your attention to the 18th article of the concession ?—I forget which that is.

789. Perhaps I may venture to read a few words of Article 18 ; "If any dispute or difference" ?—Yes, it is the arbitration clause.

790. "Shall arise between the concessionnaires, or their executors or administrators, or the company to be formed as hereinbefore is mentioned on the one hand and the Government" (that means the Government of the Nizam, "on the other hand concerning the concession or the interpretation thereof or the rights or liabilities of either party hereunder such dispute or difference shall be referred to a Board of Arbitration." Would you consider if

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[Continued.]

there were any doubt whether the dealings with regard to these 85,000 fully paid-up shares were or were not proper to be done under Section 1 of the concession that it should be a matter which should be determined by a Board of Arbitration arranged for under Article 18?—Certainly.

791. There is just one other point which I want to ask you about. You have said that all the Company proposed to do was to work the Singareni mines with their own capital, and also to prospect for the other mines and minerals over the Deccan. That power you have, I assume, you consider under Section 2 of the concession which gives you the right to take your 50,000 *l.* out of the 150,000 *l.*, or in the first instance the 100,000 *l.* caution money to prospect with?—That Section 2 refers to the release of certain deposited money paid up by the concessionnaires.

792. What you are entitled to do under the section is first (the concessionnaires rather were entitled) to take 50,000 *l.* to prospect with?—Yes.

793. Then inasmuch as when you had fulfilled the conditions of Clause 1 and Clause 2, the Company got the 150,000 *l.*, and that the caution money is released the 50,000 *l.* takes its place as money which the Company have in hand to prospect with?—I understood that the whole 150,000 *l.* was at our disposal to prospect with and to work.

794. To work the Singareni mines?—And other places.

795. And that prospecting you are allowed to do under the 17th Clause?—Yes.

796. If that prospecting turns out satisfactorily, you would then, I assume, under that Clause 17 grant licenses on sub-leases to new companies to work with their own capital?—Certainly, that was our idea.

797. And with that concession you would obtain leases from the Nizam's Government for the purpose of working these fresh mines with the capital of the new company?—That is so.

798. Would you also look forward to the new company which was going to work those mines under those leases giving you something in the way of a bonus or a royalty?—Certainly.

799. Or money in some shape or other for the purchase of your good-will?—We should probably part with our good-will partly for cash and partly for shares.

800. And that is the source from which I assume you would expect to derive your profit on the 1,000,000 *l.* of capital of the original company?—Certainly; that is so.

801. Supposing that those prospects of yours turn out satisfactorily have you any reasonable doubt that new companies would be found to work the mines?—We have no such doubt.

802. But if you choose to work the mines yourselves Article 5 of your articles of association provides that the Company from time to time may, by a resolution at a general meeting passed on the previous recommendation of the board, increase the capital by the issue of new shares of such amount as it should think it expedient?—Quite so, or debentures.

803. On the assumption, therefore, that through your own shareholders, or through the shareholders in affiliated companies, you will be able to get capital to work all these new mines, is in your judgment the Nizam's Government in any way injured by the fact that the Company has been "watered" in the way suggested?—Not at all; because, if we cannot place the capital, there are numerous provisions by which we must give back and surrender the properties; there are numerous provisions for the surrender of the properties.

804. *Chairman.*] If the 1,000,000 *l.* capital had been subscribed and spent in Hyderabad, that would have been of more benefit to the Hyderabad Government than if 850,000 *l.* is spent?—We hope it may be spent there.

805. The hope may or may not be realised. The fact is, if 1,000,000 *l.* had been spent in the country that would have been of more value to the country than if the 850,000 *l.* had been spent elsewhere?

Mr. Pember.] The question I put to the Witness was rather this: does it matter whether 850,000 *l.* of this Company's money was spent in the Deccan or

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[Continued.]

or whether we say that 850,000 *l.* of some affiliated Company's money was spent there?

806. *Chairman.*] If it does spend it, it may not matter what source it comes from, but if you have a capital of a million you have it to spend at once. (To the Witness.) You have said there is nothing in this private memorandum which has been issued which strikes you as fraudulent?—I have not read it very carefully.

807. Just read aloud the words beginning "capital?—That is a portion I have not read."

808. There is a different reason why you should do so now?—"Capital 1,000,000 *l.* in 100,000 shares of 10*l.* each, 85,000 being fully paid and 15,000 on which 5 *l.* per share is paid."

809. I ask you if an ordinary person reading that would not have come to the conclusion that that sum of 1,000,000 *l.* capital had been subscribed by someone?—I cannot say, there being that distinction made.

810. What is that distinction?—I suppose people would inquire further what that meant, but really I do not think it would convey a certain impression.

811. Would they come to the conclusion that 1,000,000 *l.* capital had been subscribed; 850,000 *l.* fully paid up, and 15,000 to the extent of 5 *l.*?—There are companies started every day in which the vendors' shares are paid up.

812. That is not so stated; the question is whether anyone reading it would not think that the capital had been subscribed by some one?—I must leave you to judge of that.

813. I must ask you; you have more skill in these matters than I, and more experience?—If I had seen this as a perfect stranger and read it I should have asked more questions.

814. You would not have come to the conclusion that only 150,000 *l.* had been subscribed and that the rest had been paid away without being subscribed?—I should have asked what it meant.

Mr. Pember.] It is in evidence, if not I hope it will be (and I ask leave, Sir, to ask Mr. Batten the question if need be), that that document never was read by any ordinary persons.

Chairman.] I do not know, it was circulated.

815. *Mr. Pember.*] No, that is just the point; I was afraid you had not caught that. (To the Witness), was that circulated?—Not that I know of, I never saw it.

Chairman.] It was not circulated by the Company, but Mr. Watson, who had not paid for the shares, did circulate it.

Mr. Littler.] I hope that will not go forth. There were 30 copies printed only, and those were shown to nobody other than Mr. Watson's friends. It never went to the public.

Chairman.] To Mr. Watson's friends, it is printed and shown to this gentleman, Mr. Batten.

Witness.] Only the other day; about a month ago.

Mr. Bristowe.] Two years ago.

Mr. Littler.] It was printed two years ago.

Witness.] It was not shown to me two years ago.

Mr. Littler.] Printed two years ago; it has never been circulated to anybody.

Chairman.] "Circulated" is a term of art. Is not the motive (apparent upon it) to show that the shares were worth purchasing.

Mr. Littler.] It was not published, or made public, but only shown by Mr. Watson to some of his friends, and I think you will be satisfied when

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[Continued.]

you have heard Mr. Watson that the 85,000 *l.* shares were for the concession.

Mr. Pember.] My point for the Company is that it was never issued to the public in any form at all.

Mr. Littler.] It was never issued by anybody.

Chairman.] It is mentioned at the top "private memo."

Mr. Littler.] I believe I shall show that only 30 of those were given to anybody, and a very small portion only of those took shares.

816. Mr. Mayne.] You told us that the original Company consisted of, I think, these eight shareholders?—Yes.

817. How were these eight shareholders got together; who were the persons who suggested to them to become shareholders?—I do not know.

818. Who suggested to you to become a shareholder?—Mr. Watson asked me if I would like to be a director, and Mr. Stewart also. I was connected with the railway company as a director, and I thought I should be useful to the railway company by being director of this Company.

819. But you do not know who suggested to any of the other five that they should become directors or shareholders?—No.

820. You can only speak for yourself?—That is all.

821. Can you tell us who paid for the expenses of getting up the Company?—Mr. Watson; the concessionnaires rather.

Tuesday, 5th June 1888.

MEMBERS PRESENT:

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.

Mr. McLagan.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

THE RIGHT HON. SIR HENRY JAMES, IN THE CHAIR.

Mr. Pember.] THERE was a list of documents, Sir, which we promised you should have. May I hand them in now?

Chairman.] Mr. Labouchere was about to recall the secretary to hand them in.

Mr. Pember.] He would be the person who would naturally hand them in.

Mr. Littler.] Before the Witness comes there is one matter which I should like to draw the attention of the Committee to. At page 8, Question 136, I should like to make a correction, merely on the ground that it is very necessary in a matter of this kind to have as much accuracy as we can. You will find that this question is asked there of the secretary (I think it is by the honourable Member for Northampton), "You will find that in the month of October 1886, Mr. Watson acquires 27 shares one day, 31 another, 32 another, 36 another, 43 another, 45 another, 45 another. At the same time, in October, he sells 25 one day, 25 another, 26 another, 26 another, 28 another." As far as we can make out from what we have seen, those are not the correct numbers.

Chairman.] That must be corrected by-and-bye. There is nothing on the Notes; we cannot correct that now.

Mr. Littler.] So long as attention is called to it, that is all I desire.

MR. LAUHLAN L. HALL, re-called; and further Examined.

822. Mr. Labouchere.] WILL you hand in those documents that you have been asked to hand in?—I can only hand in some of them, as some, I find, take a great deal longer to prepare than I thought, and as to some others I cannot exactly make out in what form the Committee would like them.

823. What is it you have?—Here is a list of them.

Chairman.] Will you read the list, Mr. Pember?

Mr. Pember.] I will. The first is a report as to the Nizam's State Railway by Sir James Caird.

824. (To the Witness.) Can you hand that in?—

Chairman.] Let the Committee understand, step by step, what each document is.

Mr. Pember.] This is a report on the Nizam's State Railway, and the India Coal Field. (Document handed in.)

Chairman.] Oh, but what is this? This is by Sir James Caird, in his recently-published book on India, "The Land and the People." This refers to the district about to be traversed by His Highness the Nizam's State

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Mr. HALL.

[Continued.]

State Railway. It is an extract from a book, and not made for this Company at all. We asked for reports that had been made. This is an extract from a book that I suppose anyone can buy. It is not anything done by this Company.

825. Mr. Pember.] I see what you mean, Sir. (To the Witness.) Was that made for you?—I cannot tell who it was made for.

Chairman.] It is a mere copy out of a book. That is of no use to us.

826. Mr. Pember.] What is this second one?—It is from Mr. Molesworth.

827. Was that made for the Company?—I believe so.

828. Chairman.] Now let me look at that, please. (The same was handed in.) This is a document addressed to the "Hyderabad Mining Concession," from the Engineer to the Proprietors of the Mining Concession. Is there any date to this?—I think it is dated at the top.

Mr. Pember.] I see here nothing more than what I saw there, 11th August 1886.

829. Chairman.] I beg your pardon, it is under the name of the place, "Dated Kazipett" (that is the name) "the 11th August 1886." Is this an original document?—This is the original.

830. This is a report from the engineer. What is his name, please; I cannot read it?—Molesworth.

831. "Engineer, Mining Concession:" "I have the pleasure to report that at the Singareni Coal Mines we commenced raising coal from the old shaft on the 7th August 1886. On the 2nd August I succeeded in entering the old workings, and have surveyed them. A tracing of the survey is annexed for your information. The shaft is about 47 feet deep, and the coal seam is about 7 feet thick, of which fully 6 feet is fair coal, and some of it very good. The dip of the coal is from N.E. to south-west, and the inclination about 1 in 6. The roof is of excellent sandstone, rather too soft for building, but amply strong to stand without any timbering. The mine is very dry; in fact, the amount of water coming in in 24 hours does not exceed 250 gallons; the air is fairly good; although as yet I have made no provision for ventilation; and there is no gas. The old workings are very carelessly taken out, as the plan shows; and I shall be compelled to alter the direction of the headings entirely. I have noted on the plan what I proposed doing. I erected a temporary winding machine, which is driven by a 10-horse portable engine, and with two large skips; this does all the hoisting we require at present. I propose to erect the air compressor on my next visit; and even should we be unable to maintain sufficient steam to work it with any effect in connection with the rock drills, we shall be able to reduce the temperature of the workings considerably. At No. 6 bore-hole I have commenced sinking a shaft, which is now about 20 feet. I am sinking a large shaft 16 feet diameter in the clear; as I find that we are much hampered in the old workings by the small size of shaft, which is only 8 feet diameter. I anticipate no difficulties in the sinking of the new shaft and expect to reach the upper seam at a depth of about 100 feet in about three and a-half to four months. This will be in ample time for our requirements. I think that with the present arrangements we shall be able to raise about 30 tons of coal a day from the old shaft at a cost of about 3s. a ton, which will probably be much reduced when we get into regular working order; at present the men all require to be taught. I would recommend that no English miners be sent on any account, as we can work much more cheaply with the native labour, and the work presents no difficulties to call for skilled labour. The coal we are getting up seems to me to be of excellent quality, but not bituminous; it would heat, and our consumption of coal is very small. It is most excellent smithy coal, as it burns without any crackling, and gives out a great heat. In all probability there will be about 7,000 tons of coal brought to bank by the time the rails reach Yellindellapad." What is the next document?—The list of the European staff in India which you asked for (handing in the same).

832. Made

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Mr. HALL.

[Continued.]

832. Made out to what date?—Now.

833. Are all these persons out there now?—Yes.

834. In the employ of the Company?—Yes, in the employ of the Company.

835. They consist of the following: First is Mr. W. C. Furnivall. He is the agent?—He is the agent.

836. Mr. T. W. H. Hughes, superintendent of coal mines and prospecting; Mr. T. H. Lowinsky, superintendent of diamond prospecting; are all these gentlemen in the sole employ of the Company, or are they there on other business too?—No; they are in the sole employ of the Company at present.

837. Ernest Phillips, mining engineer; H. R. Stevenson, assistant to T. W. H. Hughes; F. T. O'Rourke, assistant to diamond superintendent; G. S. Evans, also an assistant to the diamond superintendent; Ernest Hutt, shop foreman; E. W. Temby, J. C. Maloney, and Mr. Cherry, assistant mining and prospecting engineers; Herbert Phillips, engineer, and Amos Beardsley, engineer.

Mr. Pember.] I did not quite follow from your demand, Sir, at the last meeting whether you would like to have the reports of the directors to the Company as well, on kindred subjects.

Chairman.] It depends.

Mr. Pember.] For instance, I have what is evidently a report from the directors to the Company about the diamond prospecting.

Chairman.] We should like to see at what meeting that was presented; and how it was presented. We must have some more complete proof than a mere statement. We want a date, and to what shareholders it was circulated; when and under what circumstances.

Mr. Pember.] I think it might be as well, if you will forgive me for suggesting it, that the secretary should be re-called again, with a complete list of the reports in his hands, to enable him to answer the questions.

Chairman.] If you please. Perhaps Mr. Hall's attention will be directed to the making out of a statement showing when they were delivered, and under what circumstances. Are those all the documents you put in?

Mr. Pember.] No, Sir; here are a series of recent Reports from March to May 1888, which I referred to, if you remember, Sir, when I said there were some later ones. Those we have had printed. Perhaps you would like to have those.

Chairman.] I should like to see the originals, please. (The same were handed in.)

Mr. Pember.] On the assumption that you would like to have them put in, Sir, we have had them printed, and here are some copies for the Committee.

Chairman.] Thank you. That will be convenient. I cannot look at these now. It had better stand over, as to their going in, for me to look into them; they are too lengthy for me to do it at present.

Mr. Pember.] Here are a lot more I tender to you, Sir, in the same way. Here is a report. I will tell you what it purports to be, without reading the contents. It is headed, "Hyderabad Deccan Company," 27th April 1888, and it is addressed to Theodore Hughes Hughes, the general superintendent of the Company, and purports to be (I only say "purports to be," because I assume the Committee will require formal evidence) from Mr. Stevenson, the prospecting superintendent of the Company. Here is the original, Sir, on which it is based; and there is a printed copy and the map; so perhaps you would like to deal with those as you have dealt with the others. That perhaps, Sir, you will deal with in the same way as with the others.

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Chairman.] Yes

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[Continued.]

Chairman.] Yes; they will not go on the Notes at present.

Mr. Pember.] No, Sir.

Chairman.] If you hand them in the Committee will take the opportunity of considering how far they think they assist them. At present you must not regard them as being on the Notes?

Mr. Pember.] Certainly not, Sir: All I say of this, as of the others is: if you elect to have them put in, a copy is at your service, printed.

Chairman.] Thank you.

Mr. Pember.] Then there comes a list of the European staff, which I think the Witness has got.

Chairman.] I have got that; it is in.

Mr. Pember.] Then there comes a memorandum of expenditure, which you asked for.

Chairman.] Yes.

838. Mr. Pember (to the Witness).] Will you just say how you have dealt with that?—That is made out, as near as possible, to account for all the money.

Chairman.] That is too long for me to read now. That shall be treated in the same way.

Mr. Littler.] That I presume, Sir, will be on the Notes.

Chairman.] I think it probable.

Mr. Littler.] I should be anxious that that should be, Sir.

Chairman.] Yes.

Mr. Pember.] The next is with reference to that point I suggested to you last time myself. I proposed to read from an extract from the proceedings of the Nizam's Government, the Home Department (Mines), No. 165, of the year 1887. That I ask you to treat in the same way. We have a printed copy of it.

Chairman.] What does that come from, please?

Mr. Pember.] That is an extract, Sir, from the proceedings of the Nizam's Government, the Home Department of Hyderabad, official document.

Chairman.] There, I think you had better postpone that until you get some one from Hyderabad.

Mr. Pember.] You will not even take it in the provisional way you take, the others.

Chairman.] I think not.

Mr. Labouchere.] Is it in the Yellow Book.

Mr. Pember.] No, Sir; it is not in that book; but it is a document of the same kind, equally authentic.

Mr. Labouchere.] This has been presented to the House of Commons.

Mr. Pember.] Presented by the Nizam's Government?

Mr. Labouchere.] Through the India Office to the House of Commons, this Yellow Book.

Mr. Pember.] I do not know whether this has gone through the same process; but this is a document which initially is the same thing. So that you may know all about it, Sir, I may tell you it was sent to the Company over in England from the Nizam's Government, accompanied by a letter.

Chairman.] I think

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[Continued.]

Chairman.] I think we had better have proof of that.

Mr. Pember.] Yes, Sir, you shall have proof now, or at any moment you may please to ask for it.

Chairman.] Was it sent to the Company?

Mr. Pember.] Yes.

Chairman.] If it is sent to the Company you may as well put that letter in with the contents of it.

839. Mr. Pember (to the Witness).] Have you got it here?—I will look.

Mr. Pember.] We will have the letter looked out and affixed to a copy of the document, and you will deal with it, Sir, as you think right. I think that will be the best way of dealing with that. Harking back, Sir, for a moment to the question of the report of the mines itself, I do not know whether you think it right to take notice of this: I have before me an Administration Report on the Railways of India for 1886-7 by Mr. Conway Gordon, the Director General of Railways, presented to both Houses of Parliament by Command of the Queen, and on page 45 there is a paragraph devoted to the position of the Singareni coal-fields and their present position, with the class of coal found there, the condition of the working, and all the rest of it.

Chairman.] I think those facts ought to be proved. Let some witness state them.

Mr. Pember.] It is an official document, Sir.

Chairman.] It is an official document in what respect?

Mr. Pember.] It is official in this respect: It is an Administration Report on the Railways in India by Mr. Conway Gordon, the Director General of Railways, and a Government official; and it has been presented to both Houses of Parliament by Command of Her Majesty.

Chairman.] Then you will refer us to it, please.

Mr. Pember.] Perhaps I might hand it in to you, and you will deal with it as you deal with all the others.

Chairman.] Yes, it is a matter of convenience; if you will have it in it will save us getting the book just now.

Mr. Pember.] It will save you getting the book. You will forgive the fact that there is a pencil mark in the margin directing attention to the paragraph. (The document was handed in.)

Chairman.] Perhaps the Committee had better appreciate what this is.

Mr. Pember.] I believe it is one of a series of annual Reports that are published.

Chairman.] It is by the Director General of Railways. Is this made to the English Government or the Government of India?

Mr. Pember.] Oh, yes; and presented to both Houses, as I say, by Command.

Chairman.] Yes, yes; but to whom was the Report made.

Mr. Pember.] It is made by the Indian Government to the Home Government.

Chairman.] It is made by Mr. Conway Gordon.

Mr. Pember.] It is made by him in the first instance.

Chairman.] To whom?

Mr. Pember.] To the British Government in India.

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Chairman.] To

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[Continued.]

Chairman.] To the Indian Government?

Mr. Pember.] Yes, certainly; and by them sent Home and presented to both Houses.

Chairman.] Can you give me the date of this?

Mr. Pember.] I do not know whether the date appears upon the Report, it probably does, Sir, perhaps you may demand formal proof of the fact, which I state, I think Colonel Conway Gordon occupies exactly the same sort of position with regard to the railways in India that the Board of Trade does in England.

Chairman.] It is probable. As far as I can judge this is 1st June 1887.

Mr. Pember.] I should think that is right, Sir.

Chairman.] No, it must be later, because it gives the figures for the whole of 1887; during 1886-7, so many and so many.

Mr. Pember.] Somebody has just said the date is some time in this year, Sir.

Chairman.] I should think so; because it includes the whole of 1887.

Mr. Pember.] I may say, Sir, there is an honourable Member on your Committee, Sir Richard Temple, who will give you the fullest information upon this point, as to how this Report comes to be made.

Chairman.] It could not have been dated this year. It is printed in 1887, but probably the end of 1887.

Mr. Pember.] Probably, Sir. Then we undertook to give you, Sir, a summary of shares as per return of the 10th August 1887, made to the Registrar of Joint Stock Companies of the shares as they were at that moment held in the Company.

Chairman.] Yes; but we want from your books the dates of the transfers of the shares.

Witness.] I will come to that, Sir.

840. Mr. Pember.] This is taken from the books, is it not?—This is a different statement which follows on.

841. Mr. Pember.] The first thing which I hold in my hand, you will of course see and judge of it, purports to be a statement presented by Mr. Hall, the secretary of the Company, of the first transfer of 15,000 shares; that is the first document. (*The same is handed in.*)

Chairman.] These are the 15,000 shares. Now the 85,000?

Mr. Pember.] I think, Sir, the next one I have to give you is a similar document, it does not happen to be printed, of the number of shares showing in the names of certain persons on the 16th May 1888. The Witness will hand it in and explain it himself; that is a summary of how they stand now, but we cannot give details of the 85,000 shares. (*The document is handed in.*)

Chairman.] Does this refer to the 85,000 shares, or the 15,000 shares?

Witness.] May I look at it? (*The document is handed to the Witness.*) The result of the 85,000 shares is this: That 4,249 stand now in the name of Mr. Watson, 460 in the name of Mr. Winter, 3,781 in the name of Mr. Sharp, and 8,865 in the name of Mr. Stewart. Mr. Watson and Mr. Stewart were the two allottees?

Mr. Littler.] They were.

Chairman.] This is 26th May 1888. There has been nothing since, I suppose.

Witness.] There may be alterations since made, which we cannot tell; some may have been made a few days ago.

842. To

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[Continued.]

842. Other persons 46,392. Then there are the 2,125 share warrants of 100 l. each to bearer. Those represent the Abdul Huk transaction, do not they?—I do not know anything about that.

843. Those represent 21,250 shares. That accounts for the 85,000 shares then and the 15,000?—

Mr. Pember.] Is it not a million, Sir.

844. Chairman.] No, no; 85,000 shares. Then of the 15,000 shares Watson has 1,315; Sharp, 9,915; Winter, 9,196; Stewart, 2,286; other persons, 7,752, or just half. Then none of those shares have been converted into "Bearer certificates." (To the Witness.) We asked you if you could give us the consideration appearing upon the transfers?—I have given them on a printed paper.

845. Not of the 85,000?—I cannot do that.

846. Why not?—Without having time to make out the whole of them. If you want particulars of that it will take some time.

847. Mr. Pember.] But you can do it in time?—Yes; we can do it in time. There are such a large number—

848. Chairman.] We should like to have that; but this also I want to know from you. You have given me this date 26th May 1888. Had these gentlemen, Mr. Watson, Mr. Winter, Mr. Sharp, and Mr. Stewart ever got rid of some of those share and bought them back before the 26th March 1888?—I cannot tell without examining the books. The accountant must give that.

849. What is the name of the gentleman who will assist you; the accountant you speak of?—The auditor; Mr. Cash is his name.

850. Such a sale and re-purchase, if it has existed, will appear in your books?—Yes.

851. That is, please, what I think the Committee will want. We should like to know whether these allottees ever got rid of more of the shares and bought back. If you will just take a note of that. I am told by a member of the Committee that the names of the other persons mentioned here, as representing 46,392, have already been published?—In order of date for the annual meeting, they are published just once a year.

852. The names of the shareholders, the names of the persons holding shares, with the number of shares attached to each name, I am told, have appeared in a financial publication?—That is only copied from that report that I have given to you now.

853. This is only the 15,000 shares. Have you given me any names of the 85,000?—In the papers of the brown book.

Mr. Pember.] But you have not given that in.

854. Mr. Littler.] Will you kindly answer the Chairman's question. Is it a fact that it has been published; I want to know for my own purposes?—That was kept at the Registrar of Joint Stock Companies.

Mr. Pember.] The next thing I was going to ask you to receive, Sir, is what I think, in a great measure, will meet the point suggested by the honourable Member. I have here a document headed, "Position on 30th July 1887." The return to the Registrar of Joint Stock Companies, made on the 10th August 1887, and this is what it purports to show: Mr. Watson at that time held 4,744 shares, Mr. Winter 3,875, Mr. Sharp 4,977, Stewart's executors, 11,704 shares; then there were warrants to bearer of 21,250 shares, and the public, to the number of 698 shareholders, then held 53,450 shares.

Chairman.] Then there has been some buying back?

Mr. Pember.] No doubt, Sir. When I say "no doubt," I mean this—

Chairman.] Here are 46,000.

Mr. Pember.] Mine includes the whole 100,000 shares.

Chairman.] Give me the number, please, of the "other persons."

Mr. Pember.] Of the public, 698 shareholders held 53,453 shares.

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Chairman.] Up

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Mr. HALL.

[Continued.]

Chairman.] Up to July last; July 1887?

Mr. Pember.] Yes, I assume so.

Chairman.] You correct me. I was taking the 85,000 only; in May 1888 the public held 54,000 shares.

Mr. Pember.] It is very close upon the same number. I tender to you therefore, Sir, that summary; I do not know what they call it; it is manuscript impression of the materials from which it is made up. It is what they call a press copy. I could not remember the name (*the document is handed in*). That is a statutory return to the Registrar. Then the next is the return of shares held by Messrs. Watson, Winter, Sharp, and Stewart. That you have got.

Chairman.] You will please understand that we do want the consideration given for these shares.

Mr. Pember.] Oh yes, Sir, that must be found; and I think I understood you to say, unless that last document satisfied your demand, that you wanted a list of the transfers and re-transfers from and to Mr. Watson and other concessionnaires.

Chairman.] You will first hand in please the number only; we shall not ask for a copy of the names at present, but the number of shares and transfers we want from Watson, Winter, Sharp, and Stewart. We want the number of transfers and re-transfers. You need not give the particulars at present.

Mr. Pember.] Then, Sir, you also want, as I understand, the consideration (though that will take I fear some time) paid by the public for the 53,000 or 54,000 shares it holds.

Chairman.] Will you first give us please the highest price and the lowest price, then we will see whether we shall want the detail of every transaction. Give us the highest price, Mr. Pember, and the lowest price if you please.

Mr. Pember.] I want to be quite sure that I get what you want, Sir. The highest to the lowest price paid by the public for the shares.

Chairman.] Yes, I think if you do it that way, the highest to the lowest during each month, that will not take very long.

Mr. Pember.] During each month from the formation of the Company?

Chairman.] From the formation of the Company, if you please.

Mr. Pember.] The highest and the lowest price paid by the public during each month from the formation of the Company.

Chairman.] If you please.

Mr. Pember.] That, of course, would hardly apply to transfers, and re-transfers of Mr. Watson, and Mr. Stewart, and so on, unless they have bought from the public.

Chairman.] Yes; we will tell you if we want further information when we get these transfers and re-transfers.

Mr. Littler.] I am afraid, Sir, as far as dates are concerned, you will have a little confusion about that, because many transfers are not registered for two or three months after they are made.

Chairman.] We shall see the dates of the transfers.

Mr. Pember.] You will see what dates we can give, and bearing that in mind you will excuse what may be an apparent inaccuracy.

855. (To the Witness.) Have you got the memorandum of the coal raised, which was asked for?—Yes.

Mr.

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Mr. HALL.

[Continued.]

Mr. Pember.] This is what I propose now to hand in to you, Sir. Coal raised at Singareni. The return begins apparently in November 1887, and ends on the 5th May 1888. (*The document is handed in.*)

856. Chairman.] You have handed in a return for first sale up to 30th November, 1,749 tons. Then you have a return dated 31st December, 1,509 tons. Are you quite sure that those two returns do not overlap?—Allow me to see it, Sir. (*The document is handed to the Witness.*)

857. You are quite sure that that return of the 31st December includes none up to 30th November?—I believe so.

858. Five thousand six hundred and one tons; what has become of that coal?—The large coal has all been delivered chiefly to the Nizani's Guaranteed State Railway.

859. At what price?—Six rupees at the pit mouth. Some of it as it was sent to Bombay. About 1,000 tons have been sent to Bombay.

860. And the cost is; I see one of the returns says about 3 s.?—I think 3 s., or 3 rupees; it depends upon the quantity.

Mr. Pember.] These are all the deliveries of coal, I think you will find, in anticipation of June 1888, which was the first month, I think, in which we were bound to deliver any coal. (*The document was handed in, and is as follows*):—

“The Hyderabad (Deccan) Company, Limited.

Coal raised at Singareni.

Return, dated 30th November 1887, from Mr. Furnivall.

	Sold, Large Coal.			
	Tons.			
From 1st sale, July 1887, up to 30th				
November - - - - -	1,749	0	2	9
Return, dated 31st December 1887 - - -	1,509	0	3	10

3,258 1 1 19

Return as per book, from 1st January 1888,

to 28th April - - - - -	2215	0	0	0
Week ending 5th May 1888 - - - - -	94	0	0	0

5,567 1 1 19

Stock, large coal, 5th May 1888 - - -	34	0	0	0
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Total - 5,601 0 0 0

April 1888, sold, 36 tons nuts.

Stock small coal on 5th May 1888 - 1,849 tons.”

Here are some other documents; the Witness will explain?—

Witness.] The total return of the staff in both establishments—

Chairman.] We have got the staff.

Witness.] This is the general staff.

Mr. Pember.] This is another thing.

Chairman.] We did not ask for this, I think. This is a list for workmen employed; we do not want that.

Mr. Littler.] It would be convenient to give the number of those employed.

Chairman.] You can get that. I think we will take, if you please, the things the Committee have asked for. You shall have full opportunity when the time comes.

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Mr. HALL.

[Continued.]

Mr. Pember.] It seems to me I have given all you asked for.

Mr. Labouchere.] There is one point I asked a Mr. Hall. I asked him if he would be good enough to verify the printed extract from the transfer book of the different transfers. You have got it there.

Witness.] I have verified the one on the first page you gave me; but I have not verified all the others. They have not been checked yet.

861-2. Mr. Labouchere.] Why have you not checked them, because you have had three days; and it would take about two hours to do?—

Chairman.] If you have not done it, you must please verify those as the honourable Member has asked you, and let us have it next time.

I cannot do it myself: I must get somebody else to do it; I have not time.

Mr. Labouchere.] It would take you about an hour to do.

Mr. Pember.] It is a very long process.

Mr. Labouchere.] It is only to take the transfer book and tick each one.

Mr. Pember.] It shall be done, Sir.

Mr. Labouchere.] It can be done in an hour.

Mr. Pember.] I think the honourable Member is incorrect there.

Mr. Labouchere.] Say two or three, if you like.

Mr. Pember.] Allow me to say this gentleman does not keep the books; but it shall be done. Anything that we do in the direction of satisfying this last request, or of letting you know about the consideration paid for the shares would necessitate our having the transfers once again; perhaps you would trust them out of your possession for that purpose.

Chairman.] Certainly; you must have full access to them.

Mr. Pember.] And take them away.

Chairman.] Certainly. We will take Mr. Hall's receipt for them.

Mr. Pember.] You will part with the custody.

Chairman.] Certainly. Mr. Hall will give a receipt for them, and when he brings them back that will be handed to him.

MR. R. STANTON EVANS, sworn; and Examined.

863. Mr. Labouchere.] You are, I believe, engaged in financial operations in the City?—Yes.

864. And you have been engaged in financial operations connected with the placing with the public of the shares of the Deccan Company?—Yes, I have sold the shares.

865. You were in communication with Mr. Watson about them?—Yes.

866. Will you tell me the date when you first entered into communication with Mr. Watson?—I could not tell you that.

867. Well, as near as you possibly can?—

Sir Richard Temple.] In what year?

Mr. Labouchere.] We want to know.

You mean with reference to the Deccan Company?

868. Yes?—After the formation of the Company, I should think.

869. After the formation of the Company, but immediately after the formation of the Company?—I could not say that.

870. The first meeting was held, allotting the shares, on the 10th August 1886?—Yes.

871. It

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Mr. EVANS.

[Continued.]

871. It was in 1886, I believe?—I was in communication with Mr. Watson before that.

872. Before the 10th August 1886?—Yes, not with reference to this, but about other matters.

873. What matters?—General business.

874. Connected with the Deccan Company?—No.

875. Then when did you come into communication with him with respect to the sale of the shares?—The afternoon of the statutory meeting; the same afternoon after the first statutory meeting of the Company.

876. What was the date of the first statutory meeting of the Company?—

Mr. Littler.] The 26th of November or the 25th, I am told.

Mr. Labouchere.] November 1886; that was three months after. I see here there are sales on the part of Mr. Watson before that date?—Yes.

877. Had he commenced selling before?—Only to private friends; personal private friends.

878. Not through you?—Not through me.

879. All these gentlemen, Mr. Heenan, Mr. Drake, Mr. Bonnor-Maurice, Mr. Christian Alhusen, Mr. Thomas Norris Oakley, and several others. These are all private friends are they?—Quite.

880. A considerable number of them?—Yes.

881-2. What was the nature of Mr. Watson's communication to you?—After the meeting I went to my office and I received an intimation that there was an inquiry on the Stock Exchange for these shares.

883. A spontaneous inquiry on the Stock Exchange from a stockbroker, was it?—I do not remember which one, but from several stockbrokers—that there was an inquiry for Deccan shares. I immediately went to Throgmorton-street and made myself acquainted with the fact that it was so from other independent brokers. I then went to Mr. Watson and said to him, now look here, I think these shares are being talked about at a premium, and I think I could sell a lot of these shares for you at a premium; may I do so. He took a little time to consider. He said, "Make me an offer." I thereupon went back and communicated with some friends, and subsequently made Mr. Watson offer which he accepted for some of those shares that afternoon.

884. For yourself?—No; nothing of the sort, certainly.

885. After you had talked to other persons about them?—Certainly.

886. How do you mean that there was an inquiry for Deccan Shares—do you mean an inquiry on the part of the public?—Yes; an inquiry on the part of the public.

887. Because you have just said he only sold them to private friends?—After the result of the statutory meeting became known.

888. This took place late in the afternoon?—Late in the afternoon.

889. The statutory meeting was in the morning, was it?—In the morning, mid-day about.

890. Then I gather from you that the views were favourable that were expressed at the statutory meeting, and that at once a considerable demand arose for Deccan shares?—Certainly.

891. How many people were there at the statutory meeting?—I cannot say; I think about 20 or 30 people.

892. Shareholders, I presume?—Yes, shareholders.

893. Nothing had been printed or published?—Nothing at all.

894. Did the inquiry arise amongst these 20 people who wanted more?—As an evidence of that, one man came and said to me, "I have got some of these shares, shall I buy some more." I said, "I cannot advise you." He said, "I think I shall."

895. The result was, you say, that some of those people asked themselves whether they had better buy a few more shares?—Asked themselves.

896. And I told their friends?—Yes, and told their friends.

897. They sold themselves, perhaps?—That I could not say.

898. You say they were talked about "at a premium"; what do you mean by that?—When the shares are not issued or dealt with on the Stock Exchange

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[Continued.]

they are naturally at par (nominal value), and people who cannot buy them at par say, "Well, I will give a little premium for them."

899. So that amongst these 20 people and their friends they said, "We will give a little premium"—Yes.

900. A little premium to whom? These 20 people were not there?—On the Stock Exchange.

901. Was it stated at the statutory meeting that Mr. Watson had acquired 850,000 *l.* worth of shares, and paid nothing for those shares?—I do not know.

902. For his concession, 850,000 *l.*?—I do not know.

903. You were present at the statutory meeting, were you not?—I think I was present a little while; I got in a little late.

904. Mr. Batten was in the chair, I presume?—Yes, as far as I remember.

905. And he made a speech, of course?—Yes.

906. Said the Company was a very valuable one?—I do not remember that.

907. You went immediately to Mr. Watson, having heard of this demand from divers persons and from this gentleman who said he should like to have some more shares, and made him an offer?—I did.

908. What was the nature of that offer?—That I thought I could sell on the Stock Exchange some of his shares.

909. And you asked him if he wished to sell the shares?—I did.

910. And he said he did?—I do not remember that. He said, "I will think about it if you make me a bid."

911. And did you make him a bid?—I did.

912. What was the nature of the bid?—I forget now; I cannot remember the price. It was for several thousand shares; I think a couple of thousand shares; I think it was.

913. Then do I understand that you bought, yourself, these "several thousand shares"?—I went and sold them for Mr. Watson, in my own name.

914. You say you made him an offer for "several thousand shares"?—Yes.

915. Did you intend to buy them, or what?—To sell them for him.

916. Though you did not know whether you could sell them?—I knew I could.

917. Had you got the buyers?—Yes.

918. What! all between the statutory meeting in the morning and the evening?—Yes; you must remember the mania there was at the time for mining at that very moment.

919. You had got a number of buyers?—Yes.

920. Did Mr. Watson say you might sell as many as you liked?—No.

921. Did he limit the number?—From time to time I said to him I could sell a thousand or two thousand.

922. Then this went on for some time?—Yes, certainly.

923. And from time to time, whenever you thought you could sell a certain number of the shares on the Stock Exchange you went to Mr. Watson, and Mr. Watson gave you the shares to sell?—*Authorised* me to sell; he gave me permission to sell them.

924. Then what did you do to sell them; did you give them to a broker or jobber?—Certainly a broker.

925. And did the broker deal with any particular jobber. There was only one jobber at the moment; what was the name of his firm?—Morris and Puckle.

926. Why did you go through a broker?—Because you cannot deal with a "jobber."

927. You sent in a broker to buy them?—Yes.

928. And your friends, the buyers?—Not my friends.

929. Well, the buyers, who you knew were existing, sent in other brokers to buy them?—Perfectly.

930. And this went on from day to day?—Yes.

931. For how long?—I could not say for how long.

932. Some months?—Oh yes; some months.

933. And

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Mr. EVANS.

[Continued.]

933. And how many do you suppose you sold altogether?—I should say between 20,000 and 30,000 shares.

934. Can you account for the fact that, while Mr. Watson is registering, shares out of his name, he is at the same time registering shares into his name?—I should say that that was selling shares on behalf of himself and friends, Mr. Sharp and Mr. Stewart, and that each time he wanted to have a settlement he would take shares back in his own name and deliver his own shares, he being always on the spot.

935. Then these shares were sold on joint account?—I should presume so; I do not know.

936. You dealt only with Watson?—Yes.

937. And you presume they were dealing on the joint account of the concessionnaires?—Yes.

938. And that they were perpetually raising their amount?—Certainly.

939. You did not buy any?—Yes; I sold 2,000 too many one day when he was away at Bournemouth? I think it was on a Saturday, and when he came back he said, "Evans, you must buy those 2,000 back." And I did.

940. Did you buy them at the same price?—I could not say without reference.

941. Did you buy through the jobbers everything?—With every regular formality.

942. So that that might be said to be dealing on both sides?—No, it is not.

943. To anybody who did not know would it not appear so?—Yes.

944. To anybody who did not know that you had done it by accident?—Perfectly.

945. You dealt, I believe, on the 3rd June 1887 for a considerable number of the shares?—If you can tell me the number of shares? I do not remember the date.

946. You remember dealing in the Government shares?—Yes.

947. Did you see Abdul Huk?—I did.

948. Did he tell you to buy?—I cannot remember that he personally did so.

949. Who did?—Mr. Watson, I should say.

950. Mr. Watson told you to sell?—Yes; but without Huk's knowledge, of course.

951. When did you see Watson; what was the day?—A day or two before Mr. Watson thought I could buy a large number of shares for the Government on the Stock Exchange.

952. Let us go through it closely. Mr. Watson sent for you?—Yes; I used to see him almost every day, and go into his office.

953. And he asked you whether you could buy a large number of shares on the Stock Exchange?—Yes, he mentioned the number. I said off-hand, "Impossible." He said, "You make inquiries quietly."

954. He was selling at the time?—No, he was not.

955. He ceased to sell, then?—He ceased to sell before that.

956. Had you asked him if he could sell a large number of shares?—I said, "I will go and do it if you like." He said, "Go and make inquiries." At that time I do not think I could have bought even 100 without affecting him.

957. Mr. Watson told you to sell for Abdul Huk, did he not?—To sell so many shares, and buy them through the best brokers I could possibly find.

958. He did not say they were Abdul Huk's shares?—A certain number of shares.

959. You have got the number, have not you?—Yes, 12,000, and so many hundreds. I do not remember the exact number, about 8,700, I think, fully paid, and the balance, 5 *l.*, paid. Abdul Huk was present there.

960. But you do not know whether Abdul Huk said they were his shares?—No, I could not remember that.

Mr. Pember.] Did the Witness give the date of that?

961. Mr. Labouchere.] What is the date of this transaction?—Which one?

Mr. Pember.] When you were told to sell the shares.

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961*. Mr.

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[Continued.]

961.* Mr. *Littler*.] The Abdul Huk shares?—I could not tell without reference. I could tell before I leave the room.

962. Mr. *Labouchere*.] Will you find out; it is somewhat important?—I have not got it with me; I can send down and get it.

963. Will you send down?—Yes, I will send my cousin down, if you will allow me. (*The Witness having conferred with some one in the room.*) The 3rd of June.

964. You say you cannot tell us the precise date?—The 3rd June, I think to the best of my recollection, as far as I can fix it.

965. Have you seen any communications that took place between Abdul Huk and Mr. Watson upon the subject?—With reference to this “deal”?

966. With reference to this “deal”?—I have only glanced at that Yellow Book.

967. You have seen that?—Yes, just glanced at it. I have not read the Yellow Book; I have never had a copy; I have tried to borrow one.

968. The first letter is this: 2nd June 1887.—“Sir, I am instructed by the Government of His Highness the Nizam to purchase 10,000 10*l.* shares of Hyderabad Deccan Company, Limited. As you are the agent of the Government here, I write to ask you to be so good as to arrange for the purchase of these shares at the lowest possible price, not exceeding 12*l.* per share, the Government having decided to invest only 120,000*l.* in these shares.” Did you see that letter?—No.

969. That is signed “Siddar Diler-ul-Mulk.” [Abdul Huk.] The next letter is “confidential,” from Mr. Watson; this is dated the 3rd June. Sir,—I beg to acknowledge receipt of your letter of yesterday’s date, instructing me, as agent of the Government of His Highness the Nizam, to purchase 10,000 10*l.* fully paid shares of the Hyderabad (Deccan) Company (Limited). I beg to point out to you that to purchase these shares at the price you name is a most difficult and almost impossible operation, and will require the greatest skill and circumspection. I would suggest that the Government should acquire a proportion of the 5*l.* paid shares at the same *pro rata* price, say 7*l.* per share, as the 5*l.* paid shares carry the same dividend as the 10*l.* paid, and by this the Government could acquire, say, 8,750 10*l.* paid shares, and 3,750 5*l.* paid shares; thus having 12,500 shares for 131,250*l.* being an addition of 2,500 shares at an extra cost of 11,250*l.* only. Please be kind enough to send me your instructions on this point.” Did you see that letter?—I saw it in the Yellow Book.

Chairman.] Are the Counsel for Abdul Huk here?

Mr. *Trevor White*.] I appear for Abdul Huk.

Chairman.] Have you got in your possession a copy of the Yellow Book that has been spoken of?

Mr. *Trevor White*.] Yes, I have.

Chairman. You know the book that is referred to, and the documents. You are aware what this book is, and the extent to which it has been published.

Mr. *Trevor White*.] I believe it was published by Abdul Huk as the Minister of the Nizam’s Government.

Chairman.] That is entirely sufficient.

Mr. *Labouchere*.] It has been presented to the House of Commons by Sir John Gorst.

Mr. *Trevor White*.] I was not aware of that.

Mr. *Labouchere*.] Yes, it has been printed.

Chairman.] It is quite sufficient if you understand that this has been written

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written with his authority. These letters purport to be written to him and from him.

970. Mr. *Labouchere* (to *Witness*).] Did you give this advice to Mr. Watson?—That he could not buy shares.

971. No, that he could not buy 10,000 10*l.* shares, and that it might be better to buy 8,750 fully paid-up shares, and 3,750 shares with 5*l.* paid-up?—I do not remember anything of the sort.

972. You did not give that advice?—I think not.

973. It would have been as easy to have got the 10,000 as Watson gave you the order to sell from Abdul Huk, as to buy the 8,000, would it not?—I do not follow you.

974. I do not understand why it would have been easier to buy 8,700 fully paid-up and 3,700 with 5*l.* paid, than to buy 10,000 fully paid-up, as it was in Watson’s own power (or Abdul Huk’s), to say he would sell; he was the seller himself?—It was perfectly impossible on that day to have bought 500 shares at 12*l.*, or 100 shares.

975. In the market; I am not asking you about doing that. You told me Mr. Watson told you to sell these shares?—I did.

976. So he had got them to sell to Abdul Huk?—Yes.

977. Then why do you say it was impossible to buy 10,000 shares fully paid-up, and that it was possible to buy 8,750 fully paid-up, and 375 with 5*l.* paid-up when he was the owner of both?—I do not know.

978. Did you, see Mr. Watson on 3rd June, on the day of the purchase?—Certainly.

979. You did?—Yes.

980. At what o’clock did you see Mr. Watson?—I could not say; several times during the day, I should think. I very often go into and out of his office; several times a day sometimes.

981. At what time does he come to his office?—About 10 every morning. I do not get to the City until 11 or after.

982. I ask you, for this reason. The first letter is dated 3rd June, in which Mr. Watson acknowledges the letter of Abdul Huk of the previous day, and explains that it would be very difficult to obtain the shares, and he suggests buying the 8,000 and the 3,000?—I might have said it was impossible.

983. Very well; I am not going into that; that is on the 3rd of June?—Right.

984. On the same day he gets a letter a letter from Abdul Huk, replying, and telling him to buy these shares, as the agent of the Government, does he not?—Yes.

985. On the same day Abdul Huk telegraphs to the Nizam to say that the purchase is made, and I find that all these contracts are dated on the same day?—Right.

986. Then when did you suppose this correspondence begun, as you were with them all the time; at what o’clock in the morning; were they all sitting together when they wrote it?—I should certainly not be with them more than a minute or two at a time.

987. Were they together?—I do not know; I should go into Mr. Watson’s room, or one of his waiting-rooms. It does not follow that I should always see Abdul Huk or Mr. Watson.

988. Did you, or did you not, see on the 3rd of June Abdul Huk?—I do not know; I saw Abdul Huk on the day of the dealing in the shares, but at what time I do not know.

989. Where did you see Abdul Huk, because this is on the 3rd of June. Where did you see him?—I should say in Mr. Watson’s office.

990. Then Mr. Watson and Abdul Huk were both at Mr. Watson’s office while this correspondence was going on?—I do not know; I was not present.

991. The correspondence did go on in the morning, and they were together in the morning on the same day that this purchase was made. At what o’clock did you order the purchase to be made?—I could not say. I do not remember.

992. Did you order the purchase and the sales?—I did.

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993. You

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993. You ordered one broker to buy and the other broker to sell?—Quite right; half a dozen brokers to buy.

994. And half-a-dozen to sell?—No; one.

995. Who was your broker to sell?—A man named Hurst.

996. He is a jobber?—No, that is another.

997. You went on to the Stock Exchange, and on the one side you ordered one broker to sell and on the other side six brokers to buy?—Right.

998. Then we have here these things all dated the 3rd June. I want to know what this means. Here is an account in this Yellow Book of the money expended in buying these shares?—I have not seen that.

999. It says this: "You have first the amounts that each broker charges for his deal?—It does not follow it is that, although it might be in the account.

1000. It is on the contract, "commission" on each contract; it is on almost all of them. At the close you have this, "Enclosure No. 12." The Government of His Highness the Nazam, debtor to R. S. Evans. For commuted stamps and fees on 8,750 10 l. fully paid shares, warrants to bearer," and so on; then it goes through them all, 526 l. Will you explain that?—Why, of course, as regards the commutation of the stamps on the shares to bearer and the fees for transfer; whenever you send a transfer after, you have to pay a fee on it.

1001. I know that?—And whenever you take up a share to bearer, so much has to be paid on that to the original amount. If you want shares to bearer you have to pay him the original amount he paid on them, certainly.

1002. When you take up shares to bearer?—No, not always. Where there are two concerned as there is in a case like this, you would have to pay so much for stamps.

1003. To pay to the holder of the shares?—Certainly.

1004. Because he has paid it?—Because he has paid it.

1005. Is that always the case?—I do not know that I would say it is always the case, because I very seldom deal in shares to bearer.

1006. As a matter of fact somebody at sometime had converted these shares?—And paid stamps on them.

1007. And paid stamps on them?—Yes.

1008. They were subsequently treated as shares to bearer?—And they got much more money for them.

1009. They got much more money for them from the Government of His Highness the Nizam?—Yes.

1010. Then Mr. Watson, I see, charged himself 600 l. odd?—I do not know about that.

1011. Then we had better ask him about it?—I should like to say that I could have sold the whole of the capital of this Company at the time Mr. Watson was selling his shares in a very short time indeed. There was a mania at the time for all mining securities.

1012. Will you look at this, please (*handing a document to the Witness.*) Have you seen that before?—Yes.

1013. Do you know anything about it?—Yes.

1014. Who published it?—It was never published.

1015. Who caused it to be printed?—I should say that Mr. Watson did.

1016. Do you know that Mr. Watson did?—I do not know, I should say that he did.

1017. Did you distribute this at all?—Not at all. I had one copy which I had to return. It was lent to me to read by Mr. Watson. He said, "Return that, Evans, when you have read it," and I returned it to him in the morning.

1018. And you gave it to somebody else?—No, I never gave it to somebody else at all.

1019. What was the object of it?—To give some information to people who subscribed. I think the suggestion came from me; I will not be sure. I think I said, "Something should be printed instead of talking about this thing so much, cannot the thing be put in black and white."

1020. Then the suggestion came from you about this thing?—I think so; I am not quite sure.

1021. With

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1021. With a view to enable the existing shareholders to go away and get more?—No; they were all returned as far as I know.

1022. This was a sort of private thing given to the shareholders, if they asked for it?—Personal friends.

1023. Not the slightest; with the idea or object of getting more?—I should have been personally very glad as a shareholder to have purchased, if Mr. Watson would have allowed me.

1024. But it was not intended to have that result. There was no object when you made the suggestion?—Not a bit.

1025. Now, let me read a little of it to you: "The famous Golconda diamond mines, situate in the Nizam's territory, are included in the concession. For many centuries no other diamonds were known, and the whole world was supplied from these mines, which have not been effectively worked for about two centuries; it is stated that the cause of the cessation of the working by the natives was the influx of water, which overcame the means then used by the miners. Diamonds are now found by the natives in the refuse and waste heaps of the old mines, although the most primitive system of washing is used. This fact is, in the opinion of diamond mining experts, conclusive evidence of their existence in paying quantities when mined for and washed by the modern system adopted at the Cape diamond mines. A reliable expert from the Cape considers these mines will prove of immense value, and probably exceed any yet discovered in South Africa." This was all to comfort shareholders, and not to induce them to buy Watson's shares?—No.

1026. Not the slightest; "Golconda stones are well known to be purer and more valuable than the produce of any other mines?"—That is all true.

1027. You know that?—Certainly.

1028. Do you know that?—I know an Indian diamond is more expensive than any other diamond in the world; a finer quality.

1029. "Arrangements have already been made and machinery ordered for opening out these mines in the ensuing cold season, and the services of an experienced and practical Cape diamond mining expert have been secured. The value of diamonds reported from the Cape during the last ten years exceeds 40,000,000 l., and there are no reasons why the Golconda mines, when effectively worked, should not be equally prolific?"—Certainly.

1030. You are the author of that?—Certainly not; I did not say I was the author of it.

1031. It is in accordance with your suggestion?—No; it is not in accordance with my suggestion at all.

1032. You said just now it was?—You misunderstood me. I said it was in writing, and then I suggested it should be printed.

1033. It was in writing?—No; sketched out.

1034. Who by?—I do not know.

1035. It was in Mr. Watson's own private office?—Yes.

1036. For his own private reading?—No.

1037. Then, what for?—Anyone who came to ask.

1038. Then, anyone who came to ask if he had got shares to sell could have them, although he thought *all this*?—You could not be talking to people all day.

1039. Then he would say, "Just read this." That was the sort of thing, was it?—He would say, "Do not take it away," or, "Let me have it back again."

1040. Some one would say, "Go to the office and he will tell you how to get the shares?"—No, nothing of the sort.

1041. You will admit that it is an extraordinary document that he should keep in his office, not to induce anybody to buy shares, although you were inducing him to sell at the time, but for the benefit of individuals who had bought them?—I am not sure he was selling them at that time. What is the date of that?

1042. That we have not got. It is put here "August 1886." He was selling shares then, was he not?—I am not sure.

1043. August 1886?—

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Mr. Littler.] I do not think there were any shares sold in August, Sir.

1044. Mr. Labouchere.] They had not begun to sell them. Then *this* is what is generally called "salted" public opinion. This is even before he sold a single share to the public. He had this in the office and handed it about to other people, and he begged you to read it?—No, he did not; I asked for it. I said I should like to read it.

1045. You knew it was there?—Certainly.

1046. How do you know?—I saw it on his desk.

1047. He put it on his desk for anybody who came in to read it?—In his private room.

1048-9. Quite a private document for himself; and you thought it would be a good thing to print this private document?—Yes.

1050. And give it to the shareholders?—No.

1051. Well, to give it to whom?—They were all private shareholders then. There was only a small number of them.

1052. Well, to give it to private shareholders?—Yes.

1053. You thought it would be a good thing?—Yes.

1054. That was done?—Yes.

1055. He did not induce anybody to buy?—No.

1056. Did not tell anybody about it?—It induced me to buy some.

1057. They had one victim, then?—Yes, they had one victim.

1058. Chairman.] I do not understand this transaction at present. Come to the 3rd of June; you saw Abdul Huk and Mr. Watson, so I understand, in Mr. Watson's office?—On the 2nd or 3rd June, I will not be sure which day, I saw Abdul Huk there.

1059. Did you know that Abdul Huk was interested at all in any shares at that time?—I could not swear I positively knew, but I presumed so.

1060. Presumed that he was the owner of shares; and did you know how he had acquired them?—No.

1061. Did you know whether he acquired them by allotment or purchase?—No, I did not know.

1062. You wanted them, as I understand, to buy some shares, which were agreed to be 8,750 paid-up shares, and 3,750 shares with 5 *l.* paid. That is the result of the operation?—Yes, that is the result.

1063. You could not get those upon the market?—Certainly not, at 12 *l.* a share; not 50 shares.

1064. First, did you know who you were to buy them for; the Hyderabad Government?—Yes; I gave the orders in the name of the Hyderabad Government.

1065. You, on the other hand had got these shares to sell?—Certainly.

1066. Why should you not then have delivered them over to Abdul Huk?—But in a transaction like this you cannot do a transaction like that in a private room.

1067. I do not understand you. Here was Abdul Huk for his Government wanting to buy these 8,750 and 3,750 shares from someone; Mr. Abdul Huk himself or Mr. Watson, you had got those shares in your possession, why not say to Abdul Huk, Here they are?—I do not see the point.

1068. I think you do? I beg your pardon.

1069. You wanted to buy shares for the Government of Hyderabad?—For the agent of the Government of Hyderabad, Mr. Watson.

1070. Was what?—The agent of the Government here.

1071. To buy?—To buy the shares.

1072. Was he instructed by Abdul Huk?—I do not know who instructed him.

1073. Take it so; Watson wanted to buy?—Yes; through the best brokers for a fixed day.

1074. He wanted to get the shares for the Government?—Certainly.

1075. He had got them to sell?—No; Abdul Huk had got them to sell.

1076. Take it so, if you like. Did you understand, then, that Watson or somebody

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somebody had given to Abdul Huk these shares, which we will call 12,000?—I did not know anything about that.

1077. He had got them to sell, you tell me?—Yes.

1078. Why should not he (Watson) have said to Abdul Huk, "You want to buy, and I to sell; here they are"; or to Abdul Huk, "You want to sell, I want to buy; here they are"?—I do not know his reason.

1079. Was any reason given to you?—No.

1080. Now let us see what you did; I suppose Watson told you that either he or Abdul Huk had got these 12,000 shares?—Some one had got them.

1081. And thereupon you went to a broker or jobber, which was it?—I went to a broker, and told him to sell them to a jobber.

1082. Who was the broker?—Peter Hurst.

1083. And you gave Hurst authority to sell 12,000 shares?—Yes.

1084. Did you give him the price he was to sell them at?—Certainly.

1085. You told him the price?—Certainly.

1086. Then it was your price, and not the market price?—Certainly.

1087. What price did you tell him to sell at?—Twelve.

1088. If you had told him to sell at 10 or 15 he would have done it, if he could have found a purchaser?—Certainly.

1089. But you told him to sell at the price you made; was that agreed upon by Watson and Abdul Huk?—I presume it must have been; I do not know.

1090. You did not imagine the price?—No.

1091. You got it from instructions?—Quite.

1092. On the 3rd June?—Quite so.

1093. Then you went to Hurst and said: "you are to sell to people who will consent to buy at 12"?—No; sell to a jobber.

1094. You went to other jobbers to go and buy?—I told him to go and sell them to a jobber at that price.

1095. Never mind; through anybody. Having given the commission to Hurst to sell the 12,000 shares which you provided, you then went and gave somebody else a commission to buy the 12,000?—Quite; at that same price.

1096. So you found the seller and you found the buyer?—Quite.

1097. Tell me what is the object of going through this form; why could not you do it direct?—Because it should be known on the Stock Exchange (and would be a good thing for the Company) that the Government was buying shares.

1098. It was to be known on the Stock Exchange, and to be a good thing for the Company that the Government was buying; what did you get for this?—I forget now. I could mention it at the next meeting.

1099. Just try and remember; what did you get for this?—I think I got a commission. I do not know how much it amounts to. I can tell you at the next meeting.

1100. About how much; can you tell me?—I forget what the commission worked out at; I think about 360 *l.*, or something like that.

1101. For taking these two messages?—Taking these two messages; just so.

1102. Or 12 messages; because you went to different brokers. Why did you separate these amounts; why did not you go to one broker?—I am going to tell you. You want responsible men when you are going to pay large sums of money like this you want responsible, good firms. I was taking a matter of responsibility in selling those shares; they had to be handed about; the bearer shares. There is great responsibility in that.

1103. Pardon me; there are responsible men upon the Stock Exchange, brokers and jobbers?—Undoubtedly.

1104. Why should you not go to one; you have got 12 men, have not you?—No; six.

1105. Why did you go to six?—I do not know, except—

1106. May I suggest to you that it was to make the transaction look genuine?—No.

1107. Then what was it?—It was genuine, I think, just as genuine with one as with six.

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1108. I ask

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1108. I ask whether it was not to make it appear genuine to the public?—The public would not know whether it was done through or six through one.

1109. You said it was done on the Stock Exchange so that it might be known that the Hyderabad Government were buying, and that it would be good for the Company. You have just said so?—I do not remember any reason I had.

1110. Kindly try. As this was to go over from Abdul Huk and Watson, on the one hand, to Abdul Huk and Watson, on the other, representing the Hyderabad Government, why did you go through the form of getting these six people to go through the one person you named; the six to one?—I thought it would be good for the shares.

1111. Why would it be good for the shares?—The more people who knew it the better.

1112. Was it not to obtain publicity?—Certainly.

1113. I asked you; perhaps, you did not understand me; if that was the reason?—In my mind, certainly.

1114. Did not you think the public would think it was an absolutely *bona fide* transaction?—Certainly. I considered it was too.

1115. A *bona fide* transaction by Abdul Huk on the part of the Government to buy his own shares? What do you mean?—If he could not buy on the Stock Exchange, and chose to sell his own, and informed his Government of that fact.

1116. You call it *bona fide* for him to buy his own shares on the part of the Government; to buy them from himself?—If he informed them of them of the fact, and they agreed.

1117. And then to go through this form instead of transferring from his own hand to his own hand, to get six brokers to go and buy, as if they wanted the shares for different clients from one jobber; do you represent that to the Committee as being a *bona fide* transaction? (After a long pause.) Do you?—I would rather not express an opinion upon it.

1118. Just take your answer. You would rather not express an opinion upon it?—Certainly.

1119. Why not?—I understood that Abdul Huk telegraphed to his Government what he was doing; that he was selling his own shares.

1120. That is not the point. I ask you why you went through this transaction of obtaining six persons to go and buy these shares. I ask you whether you think (knowing what you do now), the transaction with Abdul Huk of buying for his Government his own shares was a *bona fide* transaction or not; to get these six brokers to go through the form of buying from this one broker; from Hurst?—They were bought from a jobber, not a broker.

1121. A jobber; I have given his name?—Hurst sold them, the broker.

1122. Never mind the six persons who went and bought from the one, do you call that a *bona fide* transaction, the one person selling from himself as representing his Government. What do you say to it?—Now, looking back at it, it might have been simpler to buy through one broker instead of six. I was anxious in my own interest to let everybody know, as far as possible, that they were being bought by the Government.

1123. You were desirous that everybody should know that the shares were being bought for the Government?—Certainly.

1124. And that it was a *bona fide* purchase by responsible agents of the Government in order to get shares that should be valuable to the Government?—Certainly.

1125. That you wished to be made known to the public?—Certainly.

1126. And was not to enable you to sell other shares?—I was not selling.

1127. Why was it then?—Because it would improve the market value of the shares and have a good effect.

1128. And those who wished to sell could get a better price?—Certainly.

1129. Watson had shares in his possession?—Watson was not selling.

1130. Watson had shares?—And had stopped selling.

1131. He had been selling?—He had been selling.

1152. And

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1132. And, of course, if the price was higher he might sell at a higher price the numerous shares he held?—Certainly, if he wanted to sell them; but he did not want to sell them.

1133. At that time?—Yes; he did not want to sell them.

1134. How many shares had you sold for Watson at this time, the 3rd June, 1887?—I could not tell you.

1135. Do you know anything about the price he had been selling at?—Yes.

1136. About what?—10 up to 11½, I think, or something of that kind.

1137. Was it in everybody's interest you wished to see the shares go up?—Yes; all the other shareholders; the public who had so many shares in it.

1138. Had you sold to them?—Certainly; I had sold the shares to the public long previously.

1139. Am I to take it, that having no connection with them except that you had sold to them; you had been desirous for their success for the shares to go up?—Certainly.

1140. Not Watson's?—No; he would not sell any more shares.

1141. Why not?—For myself and friends I was advised to buy these shares; not the public generally.

1142. How many did you hold?—At that time?

1143. Yes?—I had "open" in the market about 1,000 shares.

1144. Had you paid for them?—No; I carried them over; I had not paid for them. It was a speculation. I have 500 now which are paid for.

1145. At that time you were carrying over, and wished to raise the price of the shares. You had sold for Mr. Watson, I think you have just said, shares before the 1st June 1887?—Oh, yes; before this date.

1146. What did you get for selling those shares?—An agreed commission.

1147. What was it?—I would rather not disclose it, except it be necessary.

1148. Why not?—Because it is simply opening my business to other people. I shall be very pleased to tell the Committee privately, certainly.

1149. I am afraid the Committee cannot take evidence privately?—I do not see that it has any bearing on the question.

The Committee conferred.

1150. I have consulted the Committee, and the Committee think you must answer that question, if you please. It appears to us to be relevant to our inquiry, and very relevant. We therefore have to ask you what commission did you obtain for placing these shares? I am not speaking of brokers' or jobbers' commission, but of your commission for placing the shares?—On all Mr. Watson's shares I sold, do you mean?

1151. I am speaking now, mind, of June 3rd; and I wish you to give me the figure for that?—I must ask you to allow me to explain it then.

1152. Certainly?—When I first went to Mr. Watson on the afternoon of the statutory meeting I said, "I think I can sell you these shares." I naturally wanted to make as much as I possibly could for myself, and I said, "If I can sell these over par up to a certain premium, will you give me 10 s. a share for any I sell?" He thought it over and at last he said "Yes." That is the bargain I made before any dealing.

1153. I do not see why you should wish to keep that back?—If I had known as much as I know now I would have asked him for a sovereign a share.

1154. However, you did ask him for 10 s., and got it?—He demurred at first, and thought it over; but I got it.

1155. So, for any shares you could sell, you were to get 10 s. per share for the sale?—Yes.

1156. Was a limit given you for the shares?—Certainly, from time to time.

1157. When this arrangement was first made, what limit was given?—Two thousand shares; I think the first "deal" was 2,000 shares; I am not quite sure.

1158. There had been no publication to the public of the value of those shares on the probable result of the value of those shares?—As far as I know, none. They were all pieces of paper.

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1159 What

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[Continued.]

1159. What steps did you take to sell these shares?—Simply sold them as they came for them; the public.

1160. How did you induce the public to buy?—I never induced the public to buy.

1161. Where did you find your public?—They came to the Stock Exchange.

1162. You knew that no prospectus of any kind had been issued?—Yes.

1163. You knew all that?—Yes; I understood that perfectly.

1164. I suppose you have had experience in matters connected with companies before?—Yes.

1165. You know that if a prospectus or notice is issued, there is a statutory obligation that that prospectus and notice shall contain certain statements?—Yes; that it shall refer to all contracts. That is what you refer to; quoting contracts?

1166. Yes; the Act of 1867. Was any prospectus or notice of any sort ever issued to the public? You do not call *this* document which was put before you a prospectus, and which was never published?—No, as far as I know.

1167. So that it never was any notice issued to the public inviting the public to take shares?—As far as I know, none.

1168. Was it shown to the brokers?—Not as far as I know.

1169. What did you do with the copy you had?—I returned it to Mr. Watson the next morning.

1170. Was it shown to the brokers before you returned it?—I put it into my coat pocket and took it home and read it.

1171. Did you see *that* at the top of it stating that the capital was one million pounds in 100,000 shares of 10 l. each?—I know it is there, though I did not notice it at the time.

1172. "85,000 being fully paid and 15,000 on which 5 l. per share is paid"?—Perfectly right.

1173. May I ask you if you had known nothing of the transactions of this Company except what you had read there should you think that Company had got a million of capital at its back to work with or not?—I should inquire into it myself.

1174. Suppose you had no one to inquire from, what inference would you have drawn from that statement?—I should not have drawn an inference; I should simply go and inquire; because a prospectus has to start with what the vendors and buyers paid for their property. I should make it my business to inquire.

1175. If it stated this "capital 1,000,000 l. in 100,000 shares of 10 l. each, 85,000 being fully paid" would you take it for granted that the Company had that in its possession?—I should not have taken it for granted.

1176. You would not have thought that the Company had that money or that at some time it had spent it?—No.

1177. Then why should you inquire?—If I were going to buy I should inquire. When I am going to buy shares in a Company I generally go and look at the Articles of Association myself, or the contracts.

1178. Can you tell me why no quotations or settlement has been asked for in the dealings in these shares on the Stock Exchange?—No.

1179. Have you any suggestions to make?—No; there are numbers of companies dealt with on the Stock Exchange.

1180. Is it an advantage or a disadvantage to have a settlement on the Stock Exchange?—I do not think it is an advantage to have a "settlement." It is an advantage to have a "quotation."

1181. You were dealing on the Stock Exchange by sending jobbers and brokers to deal with each other?—Perfectly.

1182. Then there were dealing between jobbers and brokers on the Stock Exchange in these shares?—There were.

1183. Were they made subject to the rules and regulations of the Stock Exchange?—They are all between two members.

1184. And without a settlement you cannot have a quotation?—Without a settlement you cannot have a quotation.

1185. Why

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1185. Why did not you obtain the advantage of a quotation?—Because it is against one of the first principles of the Stock Exchange that the vendor should have more than one-third of the shares. It is against one of the rules of the Stock Exchange to give a quotation to any company that has given the vendor more than one-third of the shares. It is against the rules; it is impossible to get a quotation.

1186. Is that the reason why you did not get a quotation then?—I had no voice in applying for a quotation; in my mind, that is so; of course you could not get a quotation for them.

1187. You knew from 1st June, did not you, that these 850,000 l. worth of shares that had been taken over by Watson and Stewart?—Certainly.

1188. Did you know on whose behalf they had been taken over?—I understood they were taken over for Mr. Stewart, Mr. Sharp, and Mr. Winter originally.

1189. What had Mr. Sharp to do with it, as you understood?—I do not know. He found money, I suppose, for the original purposes of the Company.

1190. You learnt later, then, that Abdul Huk had some interest?—Yes, I learned later.

1191. Did you know what that was for?—No, I had no idea at all.

1192. Did you learn to what extent Abdul Huk had had any interest?—No.

1193. You never knew?—I never knew.

1194. I understood that you saw nothing of this correspondence that took place on the 3rd June?—Until it was in print.

1195. At the time?—No; to the best of my knowledge, nothing whatever.

1196. Can you give the Committee any idea as to the period of the day on the 3rd June you concluded the transaction with the six brokers and the six jobbers who were to buy from Mr. Hurst?—No, I do not think I could. It would be late in the afternoon; it would be sure to be.

1197. Why?—Because it would take a period of time to go round to them.

1198. To go round to six persons?—Yes.

1199. When did you receive your final orders to let Hurst sell 12,000 shares?—I could not say; I could not remember the time.

1200. I suppose you went to him first, and told him that when the brokers or jobbers came he was to sell to them?—Yes.

1201. Gave him authority?—Yes.

1202. Mr. *Bristowe*.] I understood you to say your connection with the Company commenced after the statutory meeting on the 25th November?—No; I was a shareholder before then.

1203. That is what I wanted to know; before the 25th November?—I had 100 shares, 5 l. paid.

1204. On the 22nd October 100 shares were transferred into your name by Mr. Watson?—I do not remember the date.

1205. On a nominal consideration of five shillings?—Yes.

1206. Can you tell the Committee under what circumstances those were given to you?—They were not given to me. I bought them of Mr. Watson, and he debited me with them in account for 500 l. I have since then paid the other 500 l. on them.

1207. But they were transferred on a 5 s. stamp, which does not mean a purchase?—Then that is an error. I do not know why that should be so. I cannot explain that at all without looking at it.

1208. I understood you to say before the 25th of November was your first interview with them; and then I observed this transfer taking place in your name?—I do not remember the exact date; but I bought 100 shares.

1209. This is a transfer which does not mean a purchase, it means a nominal consideration. You do not recollect under what circumstances those shares were given to you?—I could not remember now.

1210. You do not remember?—No.

Mr. *Littler*.] I want just to ask a question or two.

Chairman.] You are for Mr. Watson, are you not.

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Mr. Littler.] For Mr. Watson.

Chairman. In what direction do you want to cross-examine.

Mr. Littler.] I wish to ask one or two questions relating to this prospectus, not only what was known by Mr. Evans, but those with whom he dealt as to what the meaning of "fully paid-up" was, in short; and whether the fact was known that they were concessionaires' shares, and not shares in the ordinary sense.

Chairman.] Do you mean that the public—?

1211. Mr. Littler.] No; the actual buyers; one or two questions relating to them. (To the Witness.) First of all, I will ask you this, that list of Mr. Burdett's is a well-known authority, of course?—It is an authority, certainly.

1212. It is a fact, is it not, that before that book comes out the statements relating to companies which are intended to be published in the next issue are deposited with Mr. Burdett?—Yes, I am under the impression (I am not sure that is correct) that Mr. Burdett applies for that information, and that it is supplied to him officially. I take it that that is so.

1213. But from the date on which it is supplied, whether he applies for it officially or not, it is open to any gentleman belonging to the Stock Exchange to ascertain what knowledge he has, is it not?—That I do not know. I am not a member of the Stock Exchange. I take it that certainly it would be.

1214. Even before the public?—If you want any information about these shares department?

Chairman.] What is it you are referring to, please; what letter or what document. I do not know what Mr. Burdett has to do with the matter.

Mr. Littler.] I am referring to the statement which you thought it was better to put in later. Mr. Burdett's book, which is the "Official Intelligence," is proved by Mr. Levien, who is one of the Stock Exchange Secretaries, and there is a statement in his book which was published in February, 1887, which you thought it was better I should put in later on. Perhaps I may read it to you.

Chairman.] What point is this upon?

Mr. Littler.] I am going now to show by this Witness, and shall prove presently, with your permission, that as early as November the very statement in this book, published in February, was with Mr. Burdett, and, therefore, open to every member of the Stock Exchange.

Chairman.] What is the book, first?

Mr. Littler.] The book is "Burdett's Official Intelligence, under the sanction of the Committee of the Stock Exchange."

Chairman.] Is it open for the public?

Mr. Littler.] It is open to the public.

Chairman.] What is it, now that that contains?

Mr. Littler.] That contains what relates to this Company, this being published in the year 1887; and in February 1887 this is the statement of the condition of this Company: "Hyderabad (Deccan) Company, Limited." First of all on the one side I should read from page 690: "Hyderabad (Deccan) Company, Limited, Registered 28th July 1886, Office, 7, Great Winchester-street, E.C." Then it gives the form of voting, and other things which are formal, and then "Capital Authorised: Total shares and loans 1,000,000 l. shares or bonds number 100,000, amount 10 l. Called up: per share or price of issue, 10 l. on 85,000 l., 5 l. on 15,000; Total shares and loans and present amount, 925,000 l." Then comes: "General details, including particulars of capital, stocks, loans, reserve funds, dividends, &c. Hyderabad (Deccan) Company, Limited. This Company has acquired the concession granted on the 7th January 1886, by the Government of His Highness the

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the Nizam (with the 'consent and approbation' of the Government of India, and of the Secretary of State for India) to Messrs. W. C. Watson and John Stewart, of the mining rights for 99 years throughout the territories of the State of Hyderabad. The 85,000 fully-paid shares (Nos. 15,001 to 100,000) represent the price at which the concessionaires transferred the concession to the Company. The 15,000 shares with 5 l. paid (Nos. 1 to 15,000) were subscribed for by the concessionaires. All the 100,000 shares have an equal right to participate in the profits of the undertaking." Then come the names of the directors, which I do not need to read.

Mr. Bristowe.] All I wanted to say, Mr. Chairman, was, you were asking Mr. Evans the circumstances with regard to the authority with which Mr. Burdett had published that. What I was going to suggest was that if you wished to get that exact authority it would be better to call Mr. Burdett.

Mr. Littler.] I was going to ask the permission of the Right Honourable Chairman if it were necessary that Mr. Burdett should attend.

Chairman.] I understand, Mr. Littler, your object in putting that in is not so much to prove the authenticity or accuracy, but the publicity.

Mr. Littler.] Certainly, Sir; that is my present object, and I am going a step further presently.

Chairman.] The point is the extent to which that book would be seen by the public.

1215. Mr. Littler (to the Witness).] It is sold at the shops, is it not?—That I do not know. I buy one direct from Mr. Burdett himself.

1216. At all events, this is published under the sanction of the Committee of the Stock Exchange, and I presume it is open to every broker on the Stock Exchange?—I am not a member of the Stock Exchange; but I buy one every year.

1217. There it is; I cannot carry it further with this Witness, but I hope to do so shortly. You say that you yourself knew that those 85,000 shares were concessionaires' shares?—Certainly.

1218. Can you tell me whether (you must tell one way or the other) any of those to whom you sold had that knowledge also?—No, I could not tell that. Every member of the Stock Exchange would know. Every man who dealt on the Stock Exchange, and every broker who deals in these things, would know, of course, he would have this book.

1219. Do you remember or not whether that fact was published as early as November in the "Standard" in its City article?—I could not say the date, but I believe it was published.

1220. Very well, we have it here. No, not November, but Monday, 13th December, 1886; we will take care that we have a copy of the actual newspaper here. If I hand you this extract will you be able to identify whether that is what was in the "Standard." Just look at that (*handing a document to the Witness*)?—To the best of my belief, I take it that is a copy.

Mr. Littler.] I do not know, Sir, that it is necessary to produce the actual newspaper. This is an actual comment made by the "Standard," 13th December 1886, making the whole of this public.

Chairman.] Let me look at that. This again is to show publicity.

Mr. Littler.] It is published in the "Standard."

Chairman.] I say, for the purpose of showing publicity, not to prove the fact. You had better produce a copy of the paper.

Mr. Littler.] We will get a copy of the paper. I am told it is very difficult to get one, Sir. Perhaps you will allow me to call a witness who will verify it from the file of the "Standard" office.

Chairman.] We had better see the context of this. You had better let us see the paper sooner or later.

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Mr. Littler.] Possibly for the purposes of this Committee the editor of the "Standard" will allow us to bring the file for that purpose, so that we may verify it. (To the Witness.) You say it was after the statutory meeting that you went to Mr. Watson at that time, as I understand it?—

Chairman.] Let me have that book of Mr. Burdett's. (The same was handed in.)

Mr. Littler.] The mark is in the book at the actual entry. Will you kindly, Sir, while the book is before the Committee, allow me to draw attention to the title page. "Under the sanction of the Committee of the Stock Exchange. Burdett's Official Intelligence for 1887; being a carefully revised *précis* of information regarding all British, American, and foreign securities; including Government, corporation, colonial, and foreign stocks; railways, banks, canals, docks, electric lighting, financial, gas, insurance, land, mines, shipping, telegraphs, tramways, waterworks, and other commercial and industrial companies, known to the London market, and dealt in on the principal exchanges.

Chairman.] Yes, I understand.

1221. Mr. Littler (to the Witness).] You saw Mr. Watson in the afternoon after the statutory meeting. Did I catch from you that he was unwilling to deal, or willing?—Well, he was rather unwilling, to the best of my recollection. He said, "it wants consideration," or something of that sort.

Chairman.] Mr. Littler, the Committee would wish you, I am sure, to ascertain from the Witness strong particular facts that bear upon this case, but not to go over all the ground.

1221*. Mr. Littler.] I do not wish to do so, Sir. (To the Witness.) When do you say you got this private memorandum; I have not quite caught that yet?—I do not know; I do not remember.

1222. Did you notice this paragraph at the end of it; "It is not proposed that the present Company should itself undertake active mining operations," and so on?—I asked the question at the meeting myself.

Chairman.] Will you excuse me, the Committee have that before them, and will read every word of it. Confine yourself to new facts please.

1223. Mr. Littler.] I have only one other thing I need trouble you with, I think; and that is the date of when the Abdul Huk transaction took place. We know about the premium and so on; but I want to ask you this: Did you receive any instructions that the identical shares which were sold, not merely the same amount and the same value, or the same quantity of shares, but that the identical shares of the same numbers should come back so as to ear-mark the transaction?—Yes; quite.

1224. So that every share was specially traceable?—A special day was fixed to conclude this bargain, other than the special settling day on the Stock Exchange.

1225. Therefore any person getting these shares could, by the very means of the instructions you got easily trace from whom every share had come?—Certainly.

1226. And that was a facility which was not the case in any other transaction?—Certainly.

1227. Would you tell me (I must be pardoned, for I did not quite hear all you have said, if you have already given it), what the premium was on that day?—To the best of my recollection it was about $12\frac{1}{2}$ to $\frac{3}{4}$, to the best of my recollection; I will not say certainly.

1228. If a large demand had been made for the shares without previous arrangement, naturally the price would have gone up, would it not?—Suppose 12,000 had been asked for, you could not have bought under 20 l. a share as many as that.

1229. Chairman.] Does any other counsel wish to apply to the Committee to ask

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ask any question. (To the Witness.) Were those shares that were to be converted into shares transferable to bearer?—Which shares?

1230. These 12,000?—Not that I know of.

1231. Do you know anything of the alteration of the shares, so as to make them payable to bearer?—No.

1232. Have you never heard of it until now?—The form?

1233. Yes?—Certainly, when applied to the Company.

1234. We hear that there were some particular shares, 21,000, I think it is, that were altered in their form, so as to pass to bearer?—I know nothing of that. Any shares can, by paying the stamp.

1235. These particular shares were not converted, so far as you know, were they?—As far as I know; I do not know.

1236. Mr. Bristowe.] I thought you said they were to "bearer"?—A portion of them; the 5 l. paid; the fully paid were not.

1237. Chairman.] The 3,700 5 l. paid were to "bearer"?—Yes, the 3,700 5 l. paid were to "bearer." I take it that there was an idea of selling these shares in India at some future time, and there you would have to have shares to "bearer."

MR. CHARLES ALBERT WINTER, sworn: and Examined.

1238. Mr. Labouchere.] You are, I believe, a solicitor?—I am.

1239. Are you still a partner with Messrs. Prescott; who is your partner?—I have no partner at present. I have retired from practice.

1240. What was the firm you belonged to in Bombay?—Winter and Berdoe was my last firm.

1241. And before that?—Prescott and Winter. Before that, Care, Prescott, and Winter.

1242. Chairman.] Did you practice at Bombay?—Yes.

1243. Mr. Labouchere.] Your first connection in any sort of way with the railroad or the mining concession was, I think, in 1881?—No; 1874.

1244. What was your connection in 1874?—In 1874 my firm acted for the Nizam's Government in the first railway. I was instructed by Mr. Seymour Keay.

1245. Then your first connection with the plan of a mining concession connected with the purchase of a railroad was in 1881?—Yes, the latter part of 1881.

1246. September, I think?—I do not know the exact month. It was the latter part of the year.

1247. The scheme was then in the hands of two gentlemen, one called Hawes and the other called Mowis?—No, I do not think so.

1248. Who?—I was introduced to Sirdar Abdul Huk, and the scheme was prepared, I think, mostly by myself. Mr. Mowis, so far as I know, had nothing whatever to do with it. He was a barber in Bombay, a hair-cutter,

1249. On the 6th of October 1881, I think, you first met this gentleman?—I cannot tell you the date, my memory does not serve me.

1250. You are prepared to swear that you had no connection with regard to the mining concession, or anything respecting it, with Hawes and Mowis before you saw Abdul Huk?—I do not think I have made myself quite clear. The first intimation that I had of any project for mining and for an extension of the railway was when I was present at an interview with Abdul Huk, at which Mr. Hawes was present.

1251. And Mr. Mowis was then up in Hyderabad, was he not?—I do not know that.

1252. It was Mr. Hawes then?—Mr. Hawes.

1253. In what capacity were you acting then?—Well, I should think at starting I was acting as Mr. Hawes' solicitor.

1254. As Mr. Hawes' solicitor?—Probably,

1255. What was the nature of the scheme?—The nature of the scheme was

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to make an extension of the existing railway, and, in consideration of doing that, the promoters of the railway were to be entitled to a mining concession; an absolute monopoly for 99 years of the whole estate..

1256. And also was it not to purchase the existing railroad?—Oh, yes; to purchase the existing railroad.

1257. What were the terms of purchase?—The same as have been put through now.

1258. Are you prepared to swear that they were about the same as have been put through now?—As regards the purchase-money.

1259. As regards the purchase-money, you are prepared to swear they were the same?—I cannot say exactly that, because the exchange varies.

1260. Put that aside?—Two crores of rupees.

1261. What was the guarantee? For how long?—Five years.

1262. Then that is not the same as the existing terms?—No, no one would take it on those terms.

1263. That is what I want to get at, the proposal then on the part of your client, Mr. Hawes, was that the Nizam's Government should guarantee for five years the capital of the Railroad Company, was not that it?—Yes, that was it.

1264. In consideration of that your client, Mr. Hawes, was to give the Nizam two crores of rupees for the existing line, would build extensions on certain terms. Still for five years, five years always, the guarantee, and the Nizam's guarantee for five years, and only for five years?—That was the proposal, but it underwent changes, and people dropped out of it, but that was shortly the proposal; it was on the same lines as the Bengal Central Railway.

1265. In fact it was on a guarantee for five years?—Yes.

1266. Who were the partners in that?—Do you mean at first, or when it really got into form?

1267. When it really got into form?—When it really got into form the partners were, Mr. Forbes—

1268. Who is Mr. Forbes?—He was a merchant in Bombay; and a Major Strutt.

1269. Who was Major Strutt?—He was in Bombay connected with some companies there at the time.

1270. Was Mr. Barnett one?—No; he dropped out of it.

1271. The first was Mr. Barnett, Mr. Hawes, Mr. Winter, Mr. Forbes, and Abdul Huk himself?—No; Abdul Huk's name never appeared in it.

1272. Was he in any sort of way connected with it financially?—Financially yes, but his name never appeared as a promoter in the deeds.

1273. But the real concessionnaires, the real persons, did yours appear in the deeds?—I think my name appeared in the last deed.

1274. But not in this first one I am alluding to?—Not in the first one, I think. It went through several changes.

1275. There was an arrangement by which Abdul Huk was to be a partner or to receive moneys?—What Abdul Huk stipulated for was that he should be paid 120,000 *l.* in cash.

1276. For himself?—For himself, for introducing the railway business.

1277. Introducing it to whom?—To whoever got the concession for the railway.

1278. But how do you mean introducing it?—On behalf of the Government he was a partner.

1279. He was an absolute minister, was he?—No, he was not then.

1280. What was he? He was an official?—I do not know what his post was exactly.

1281. He came down?—He was deputed by Sir Salar Jung to come down.

1282. Then I do not understand to whom he introduced the railroad company?—He made his terms with the proposers.

1283. Who do you call the proposers? Mr. Hawes and his friend?—The first lot were Mr. Hawes, I think, and Mr. Barnett, and whether my name appeared in the first deed or not I cannot remember.

1284. Then he made his terms with them?—Yes.

1285. The

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[Continued.]

1285. The condition on which he would agree to recommend it to Sir Salar Jung?—Yes; I suppose that is what it came to.

1286. That is what it practically was?—Yes.

1287. And then there was an agreement to give him 120,000 *l.*?—Yes.

1288. It was known then, I presume, to you that he was sent down there as the representative of Sir Salar Jung?—Certainly.

1289. Did not you think that somewhat of a bribe?—Most certainly I did.

1290. It was intended as a bribe?—Well, when it was put to me Abdul Huk said that his terms were 120,000 *l.* for the railway, and first of all what was called a six-anna share, but it was afterwards reduced to a four-anna share of the mines.

1291. Rupees 16 and six annas?—Everything is divided.

1292. It would be a quarter of this?—It would be a quarter of this. When this was stated to me I said, "I shall do nothing of the kind; I am not going to take the trouble to prepare all these deeds, put my friends to a lot of expense about getting this business through, and then find the whole thing knocked on the head because you have been bribed"; and Abdul Huk then said to me, "I can assure you that I have the permission of my Government to make whatever terms I can for myself. Does that satisfy you?" I said, "Certainly not; I want something more than a verbal assurance in a matter of this kind." He then undertook to produce to me a written authority from his Government to the effect he had stated.

1293. Would you be good enough to state when this conversation took place, what date?—I cannot tell you the exact date, but it was towards the end of 1881. I came home from India about this business in January 1882, I think it was.

1294. Then we may take it that this scheme was to give 2,000,000 *l.* for the railroad?—Two crores of rupees.

1295. Two million pounds sterling that would be in round figures, would it not?—Without taking the exchange, it would be 2,000,000 *l.* sterling.

1296. Two million pounds sterling to build extensions, and that the Nizam was to give, in consideration of this, a 5 per cent. guarantee for five years?—Yes.

1297. And the mining concession?—That was the original proposal.

1298. That was the proposal?—Yes, as it then stood.

1299. You say that this conversation with you took place at the end of 1881?—At the end of 1884.

1300. And that he then stated that he had a letter from Sir Salar Jung, saying that he had got a right to get what he could out of this?—Yes, to make his own terms.

1301. To be bribed, in fact?—Yes.

1302. Have you got the letter?—I have a copy of it, not the original.

1303. The letter is dated 5th January 1882, is it not?—Yes; *this* is a certified copy of the letter.

1304. I have a copy here. He stated that he had that letter in 1881?—No, he told me that he had the authority of his Government.

1305. But he had no letter?—And he asked me if that satisfied me, I said, No, I would not be satisfied with a verbal assurance, but that I should require it in writing, and I got this after.

1306. I will read out the letter?—Here is a certified copy from the Nizam's Government.

1307. This is it, is it not. "I have no doubt His Highness' Government will appreciate at their full value the services you have rendered in originating and maturing the Chanda Railway scheme when it is carried through, but as the work you are doing is outside your official capacity, and your services to the promoters of the scheme will have been just as valuable as to His Highness's Government in case of the scheme being carried through. I write a line to assure you that I shall have no objection to your receiving any remuneration on the railway and mining schemes with which they may reward your services, and that I shall consider whatever you receive from them as only your due."—There is one omission, it is headed "private and confidential."

1308. That was in January 1882?—Yes.

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1309. He

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1309. He showed that letter to you?—Yes. I came home. I can give you the exact date. I left Bombay on the 19th of January 1882 to put through the railway business and the mining business.

1310. To put through where?—To put it through in the London market.

1311. He showed you the letter then?—I saw that letter before; I came home and satisfied myself.

1312. In January 1882 Abdul Huk was sent to Calcutta to lay these projects before the Calcutta Government, was he not?—Yes, I believe so.

1313. But is it to your knowledge that the Calcutta Government said that the promoters did not appear to be of sufficient financial standing for the Government to accept it?—I believe that is correct.

1314. So that the scheme so far as these promoters were concerned dropped and disappeared?—So far as those promoters were concerned. Yes.

1315. That has been dropped, the five years guarantee dropped?—Yes, the mining did not drop.

1316. The mining business dropped, and the railway, so far as those promoters were concerned?—It was continued in other names.

1317. Yes, we will get to that. Abdul Huk was then sent to England, was he not?—Yes, he came home.

1318. Is it to your knowledge that he was told by Mr. Grant, of the Indian Government in Calcutta (the Calcutta Government, we will call it) that before the Nizam's Government committed themselves to any one in this matter they ought to consult His Highness's London agents, who are in these things, Messrs. Rothschild?—No, I know nothing about it. I went back to India and did not see Abdul Huk in England on that occasion.

1319. Do you know what he did on that occasion?—No.

1320. You know nothing about it?—No, I was not here, I was in Bombay. I had no correspondence.

1321. When did Mr. Watson first become connected with it?—That I do not know. I cannot give you the date; I should imagine about the end of 1882. His proposal is dated, I think, November 1882.

1322. But was not Mr. Watson already in the first proposal?—Only through me.

1323. He is your brother-in-law, I think?—He is my brother-in-law.

1324. And you telegraphed to him?—I telegraphed to him from Bombay, telling him I was coming home on this business.

1325. And you telegraphed also, or Mr. Barnett telegraphed through you to state what the terms were, and I presume that you suggested that he should be in the promotion?—I do not know what you are referring to.

1326. I am referring to certain telegrams that Mr. Barnett sent through you in October 1881, to Mr. Watson in London?—Yes, I did send some telegrams. I do not remember what was in them.

1327. But the practical effect was what?—It was offering Mr. Watson a share in the business; that is what it amounted to.

1328. You do not know what occurred in London?—No.

1329. Not as solicitor to Mr. Watson?—No, I did not come on the scene until after Mr. Watson had made his proposal.

1330. You know that Mr. Watson did make a proposal?—I knew it when it was made.

1331. Stewart and Watson made the proposal?—Yes, I did not know it until afterwards.

1332. You know that one proposal was made. The first application was to Messrs. Rothchild, or do you not know, by Abdul Huk?—I do not know what Abdul Huk did.

1333. You do not know whether it was to Morton, Rose & Co.?—I only know that I heard someone say something about it.

1334. Mr. Watson made the proposal for the mining agreement?—Yes.

1335. The mining agreement was entirely then separated from the railroad scheme?—That would seem so; but you must excuse me, Sir, I know nothing about what took place then.

1336. Where

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1336. Where is your next connection with it; where do you come on the scene again?—I came on the scene again in 1883.

1337. Where are you there, at Hyderabad?—No; I came to England on leave in 1883.

1338. What was the condition of the proposal then?—On my return Mr. Watson informed me that he had received a telegram in the early part of 1883 from the late Sir Salar Jung saying that his proposal would meet with his fullest consideration, and that Abdul Huk was authorised to communicate with him; that was the effect of the telegram.

1339. Then, at that time he had put in a proposal?—Yes, it went in in November 1882, I was told.

1340. For the mines?—For the mines.

1341. What was your next connection with it?—In the middle of 1883 I was home, as I have just said, on leave.

1342. In England?—In England, and Abdul Huk arrived. He met Mr. Watson. I do not know what passed between them at the first interview, but shortly afterwards Abdul Huk informed me that Morton Rose had refused to go on with the railway scheme. Mr. Watson was present, and he turned round to him, and he said to him, "Look here, Watson, you must put the railway through, and if you do not put the railway through you shall not have the mines."

1343. Mr. Mayne.] Who said that?—Abdul Huk, the Sirdar said that to Mr. Watson, and after some demur, Mr. Watson did not care to have this additional task imposed upon him of putting through the railway that everyone else had given up, and therefore made all the more difficult of accomplishment. Abdul Huk was most determined about it. He said, if the railway is not put through and no one else will take it up, you must do it, and unless you put the railway through, you shall not have the mines. Then Mr. Watson went to work at the railway, and did put it through. Then, after the railway was floated, and all the capital had been subscribed, Mr. Watson again recurred to the subject of the mines and pressed Abdul Huk to take the matter up; he then said that he had been discussing the matter with the India Office, that the India Office did not at all approve of the vagueness of the proposal, and that he had been sent to Messrs. White, Borrett & Co. with instructions that they should prepare the proper deed and concession of the mines. An interval elapsed, and I was shown this concession prepared by Messrs. White, Borrett & Co. It was settled, I was told, by Lord Macnaghten and Mr. Blakesley.

1344. Mr. Labouchere.] You were shown what?—The draft of the concession prepared by Messrs. White, Borrett, & Co.

1345. Is this for the railway?—We are speaking of the mines. That was settled, I was told, by the president, Lord Macnaghten and Mr. Blakesley, I think his name was, and by a committee of three mining experts. They had settled the terms of the deed, and when I and Mr. Watson read it we found that it was entirely different from the proposal; instead of containing a mining monopoly of 99 years, as the proposal contemplated, it was simply a prospecting license for five years with a large prospecting fee payable with the lease of the coal-fields.

1346. Was that the only distinction?—Those were the chief points, but it varied right throughout. For instance, royalties which had been fixed.

1347. But about the subscribed capital?—Oh, yes; of course there then was an immense difference. The proposal was to form a company with a capital of a million, nominal, which should undertake to expend 100,000 £. Messrs. White, Borretts, and Company's draft stipulated for a subscription of not less than 500,000 £ with the same nominal capital. The whole form of the deed was so objectionable, as Mr. Watson and myself considered, that we tried our best to get Abdul Huk to modify it. He said he could not help himself; that he was entirely in the hands of the India Office; that they had already a copy of his draft, and that any objections that we had must be addressed to the solicitors. We did send in our objections; in fact, we met Mr. White and Mr. Blakesley, and stated our objections to the form of the deed, but they were unheeded. The Sirdar then returned to India, taking with him this draft, and

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it was arranged that I should go out to Hyderabad to see if I could negotiate the matter with the Nazam's Government to get some modifications.

1348. Before you went out were you aware of this Despatch which was sent from the Secretary of State to the Government of India, dated February 1884. You will find it No. 19 Railroad, page 3, in the Return of Correspondence presented to Parliament, "paragraph 23. With reference to the proposed mining lease, the negotiations of which was one of the objects entrusted to Sirdar Diler Jung, your Excellency will observe, from the concluding part of his letter of 25th January that it has been considered advisable not to proceed further with this matter at present, and that its consideration will be postponed until he returns to Hyderabad." You have read that, I suppose?—No, I do not know that I have.

1349. You are aware that the Sirdar Abdul Huk could not, if he had wished it, conclude with you upon the original draft, or upon any draft owing to the Secretary of State for India, insisting that the thing should be taken back to Hyderabad and considered there?—No, that is not quite the case.

1350. Well, what is?—The Sirdar, as I understand, under his edict had full power to negotiate the deed as it then stood on the lines of the draft.

1351. Have you got any proof of that except his own statement?—Yes.

1352. Where?—I have seen it in one of the Hyderabad resolutions.

1353. I think you may take this that on the 30th March 1883 the Council of Regency appointed on the death of Sir Salar Jung?—That is the one I am referring to.

1354. "Indorsed the decision of the late Regent, and authorised Sardar Dilar Jung to proceed to England and close with the offers made by Morton, Rose & Co. and Messrs. Watson and Stewart, and conferred on him full authority to sign all necessary documents, transact business of whatever nature connected with the projects, and to act on all instructions he has received from the late minister"?—I think you will find later on that the deed to be signed should not be less favourable to the Government than the draft annexed to the proposal. I think it is in the same Despatch.

1355. I dare say it is. On his arrival in England, he stated to Lord Kimberley, who was then Secretary of State for India, that he had come with those instructions. Lord Kimberley allowed him to negotiate, and in his letters allowing him states, "I am desired to add that his Lordship in Council." I suppose this is the Indian Council?—Yes.

1356. "His Lordship in Council will expect to be informed of any engagements into which you may propose to enter before their actual completion."

Mr. Littler.] Is that the letter of the 5th of July 1883.

1357. Mr. Labouchere.] Yes, the 5th of July 1883. (To the Witness.) So that he was not able to conclude anything without referring it to the Secretary of State for India?—Without informing them that he was going to do so.

1358. "I am desired to add that his Lordship in Council will expect to be informed of any engagements into which you may propose to enter before their actual completion," that is to say, he could not complete unless he had informed the Secretary of State of what was intended?—I do not pretend, Sir, to translate official documents.

1359. It is not official language; it appears to me that it is plain English?—No, it was not finished without the Secretary of State's sanction, at all events, at the end.

1360. I mean to say that Abdul Huk had not full powers to conclude. He received full powers from the Nazam's Government. When he came over here he informed the Secretary of State for India that he had received these full powers, and the Secretary of State for India then stated that he must inform him of any engagements into which he might propose to enter before their actual completion?—Yes, that is so; and as a matter of fact it was not completed.

1361. Then the matter was referred to the solicitors of the Indian Government, Messrs. White, Borrett & Co.?—I do not know that they are solicitors to the Indian Government.

1362. What

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1362. What are they?—I think they are solicitors named by the Indian Government for this particular purpose; that is what I understood; I have no knowledge myself.

1363. Be good enough to listen to this: "We beg to hand you the draft of the proposed concession as submitted to us by the solicitors of Messrs. Watson and Stewart, the proposed concessionaires." This is from White and Borretts to Abdul Huk, dated 8th February 1884?—Before reading any more of that, might I say that I never saw that until it was printed in the Parliamentary Blue Book, which was called for by Mr. McLagan.

1364. Abdul Huk did not show it to you?—He never showed it me.

1365. But you have seen it?—Since it was printed; since September last year.

1366. The second paragraph is to this effect, is it not, "With reference to the constitution of the proposed Company, the concessionaires contend that if the 100,000 £. is raised by debentures, or otherwise, the Government ought not to insist on any share capital being provided. In other words, that the Company should be simply what is properly known as a 'Founders' Company,' which is equivalent to a simple agency for finding other parties willing to take leases without any security that such parties will properly work the mines and pay the royalties. In accordance with this view, they further claim the right for the proposed Company to transfer the benefit of the concession to any nominee they may select independently of the Government. It appears to us, however," (Messrs. White, Borrett & Co.), "that the original proposal contemplates a *bona fide* Company for the purpose of working the mines with a large available capital over and beyond the 100,000 £. to be paid up in the first instance, as a condition of releasing the deposit made by the concessionaires, and there is no mention in the original proposal of any nominees or assignees of the Company. In our opinion, at least half the capital should be subscribed, and the Company should be restricted from assigning except by license." You have read that, have not you?—I have read it. It is simply Messrs. White's opinion.

1367. Messrs. White's opinion; no doubt, a very bad one?—I do not say that.

1368. Acting for the Government?—They may be right.

1369. Messrs. White's opinion was that you and your friends wished to form what he calls a founders' company; that Messrs. White and Borrett objected entirely to that, and considered that the capital subscribed, or the capital of the Company, should be expended by the Company?—

Mr. Pember.] Not so, Sir; excuse me; he says only that half the capital should be.

Mr. Labouchere.] I beg your pardon; that only half the capital should be subscribed at once.

Mr. Pember.] It does not say "subscribed."

Mr. Labouchere.] Well, that the capital should be subscribed; but here I have got it: "It appears to us, however, that the original proposal contemplates a *bona fide* company for the purpose of working the mines with a large available capital over and beyond the 100,000 £. to be paid up in the first instance, as a condition of releasing the deposit." There is a deposit given by them to guarantee them, paying up the 100,000 £. at once. Now, is it not a fact that in the proposed draft, what I will call the revised draft, they propose that the first subscription should be 500,000 £., and that the 100,000 £. should be paid up.

1370. I am not speaking of the deed as executed, I am speaking of the proposed deed, the revised draft?

Mr. Pember.] The draft is on the next page, but it does not say so.

Witness.] You will find that the two clauses, the one in draft, and the one in the signed deed, are precisely the same, with the exception of the alteration in the figures 500,000 £. to 150,000 £.; there is no other alteration in it except the 150,000 £. and 75,000 £. In all other respects the deeds are identical.

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1371. Mr. *Labouchere*.] They propose that 500,000 *l.* should be subscribed at once?—No, it does not say that in the least; it does not say that if you will allow me to read it.

1372. What do you mean, the 500,000 *l.*; I am speaking of the revised draft?—They are both the same except as regards figures. There is no difference in the wording.

1373. What do you say the revised draft was?—I say it is precisely the same with this exception, that where 500,000 *l.* stood in White & Borrett's original draft, 150,000 *l.* now stands in the signed deed, and later on 75,000 *l.* to be paid-up stands in the place, I think, of 100,000 *l.* In every other respect the clauses are identical.

1374. Now you went back to Hyderabad, as I understand it?—What date are you speaking of?

1375. You were in Hyderabad in December 1884?—Yes, I arrived in Hyderabad in that month.

1376. And you were then empowered to act as Mr. Watson's representative?—I had a power of attorney. I arrived there in 1884. I went back to India on the 14th of April 1884.

1377. What is this Despatch from C. A. Winter, Esq., to His Excellency Newab Salar Jung, dated the 16th December 1884, page 9 in correspondence?—I was there at the time.

1378. You there complain of the differences, do you not, between the original proposal and the pending one?—Would you allow me first of all to say why that letter was written?

1379. Yes?—I went up to Hyderabad by appointment to see Sir Salar Jung, to discuss with him this difference, and whilst there I received a message. I must tell you that you cannot see the Minister except by an appointment through the Resident. No Englishman can go and see the Minister except an appointment is made for him by the Resident. I applied to the Resident for an appointment to see the Minister. I made an application to the Resident to get me a special appointment to see the Minister. The Minister sent to me a message. When I say "the Minister," I mean Sir Salar Jung sent me a message asking me to put in writing those points which I desired to discuss with him. I then wrote that letter of the 16th of December 1884 (I think that is the date of it), in which I set out the points and started, if I may say so, the hare that so much has been made of in speaking of the first issue.

1380. I will ask you about that. That is, what is in it and you are explaining now why you sent it?—I am stating the points I wished to discuss; you will find the reply—

1381. Never mind the reply?—*I do*, very much; I was told to take the deed or leave it.

1382. I was going to ask you a question or two about this first letter; as you say, "the hare"?—The "hare" we will call it.

1383. In this first letter, when you were acting as the representative of Mr. Watson?—And Mr. Stewart.

1384. And Mr. Stewart. You wrote as follows to Sir Salar Jung, to Salar Jung the younger; the elder had died in February 1883, had he not?—The beginning of 1883.

1385. This was his son?—This was his son.

1386. He was Prime Minister; a young man about 20, was not he?—I did not know his age.

1387. About that sort of age?—It is rather difficult to find out a Mahometan's age.

1388. Quite a young man, was he not?—I believe it was generally known, that he was about 23 or 24.

1389. Well, a hereditary Prime Minister?—I will not swear to his age.

1390. You say this: "The most important of these differences are the following." These are the differences between the proposal of Messrs. Watson and Stewart and the revised draft of Messrs. White and Borrett?—Allow me; not the revised draft of White and Borrett; they drew one draft.

1391. What I call the revised draft; the "proposal and the draft" let us call

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call it. The proposal would be Messrs. Watson and Stewart's proposal; the draft would be Messrs. White and Borrett's?—Yes, that makes it right.

1392. "The most important of these differences are the following: (1) A proviso that of the capital of the proposed Company 500,000 *l.* be subscribed for by a certain day, and 100,000 *l.* be actually paid up. The proposal deals," that is the draft?—That is the draft.

1393. "The proposal deals with the formation of a Company, with a nominal capital of one million sterling, and which shall undertake to expend 100,000 *l.* Supposing a company should be called upon to pay up 100,000 *l.* immediately on formation, it is clear that the money could not be at once employed, and would only be lying idle. I would submit that the first issue of shares be for 100,000 of which a proportion, says 25,000 *l.*, be paid up at once, and the balance in calls at short notice and when required." You speak of both of these: you first say what are the proposals; the issue of 500,000 *l.* and the issue of 100,000 *l.*; and you say, "I would submit that the first issue of shares" (whether it be 500,000 *l.* or 100,000 *l.*) "be for 100,000 *l.*," so that you allude to both, the proposal of the 500,000 *l.* and the proposal of the 100,000 *l.* when you are speaking of the first issue; is not that so?—No, I do not think so.

1394. Then explain it?—My letter is shortly setting out the points I wished to discuss.

1395. Perfectly?—And I commence by endeavouring to point out what an immense difference there is.

1396. Mr. *Littler*.] This was by letter, was it not?—By letter; the letter of the 16th December 1884. I then endeavour to point out as shortly as possible what I conceive to be the chief differences between the proposal and White and Borrett's draft. White and Borrett's draft only provided for a minimum issue of 500,000 *l.*, a money subscription. Now I wanted to cut that 500,000 *l.* down as much as ever I could, and I took my minimum at 100,000 *l.*, with 25,000 *l.* paid-up. That is what I meant.

1397. Why do you speak of "the first issue of shares"?—Suppose the 500,000 *l.* remained as the minimum subscription, I did not want to have a subscription of 500,000 *l.* I wanted a subscription of 100,000 *l.*, and to pay up 25,000 *l.*

1398. But that does not convey to my mind, I do not know whether it does to yours, what you mean by "the first issue of shares," if you did not mean to allot them; but I suppose that the 100,000 *l.* or the 500,000 *l.* were, like a "first issue," to be followed by a second issue?—No; we were both dealing with the *minima* figures.

1399. I do not see what the *minima* or the *maxima* has to do with it?

Chairman.] It is unlimited.

Mr. *Labouchere*.] It is unlimited, as the Chairman says.

We are both dealing with the same figures.

1400. I know we are, that is why I complain?—Instead of binding myself to subscribe in the first instance 500,000 *l.*, I wanted to induce Salar Jung to be satisfied with a first subscription of 100,000 *l.*

1401. Then will you tell me what you meant by "the first issue of shares"?—That is what I am endeavouring to explain.

1402. Well, you have not yet explained except what I presume, according to the English language, that "the first issue of shares" means the first issue of shares?—I certainly was dealing, as I have endeavoured to explain, with a figure of 500,000 *l.* in front of me. I did not want to have to subscribe that 500,000 *l.*, so I wanted Salar Jung to agree that, instead of issuing or subscribing, calling it the first issue or first subscription, 500,000 *l.*, he would be satisfied with 100,000 *l.*

1403. *Chairman*.] What the honourable Member is asking you is, if "the first issue of shares" was not over 100,000 *l.*; what did you intend should become of the remaining 900,000 *l.*?—I never considered that point.

1404. You must have intended, as a man of business, that something should become

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become of it. What did you wish to convey?—I have said twice over what I endeavoured to convey; that I was dealing with this figure of 500,000 £.

1405. As the "first issue" originally?—I happened to call it first issue in that, but it really was first subscription.

1406. And it was to be subscribed: you wished to reduce it to 100,000 £?—I wished to reduce it to 100,000 £.

1407. When you wished to reduce it to 100,000 £, what did you wish? Sir Salar Jung to understand what should become of the remaining 900,000 £?—That is a point I did not consider.

1408. When you used "the first issue of shares," as you did, and said "I would submit that the first issue of shares should be for 100,000 £," surely you meant that there should be a subsequent issue?—I cannot say that I did; I was simply jotting down in a hurry the points which Sir Salar Jung wished to discuss with me. There was nothing definite in them; they were simply the differences I wished to discuss.

1409. Mr. Labouchere.] Then you mean that this was done in such a hurry when you were out there, that you really did not look into the matter and did put "the first issue of shares"?—I do not think I considered it as thoroughly as perhaps, I might have done; but as I say, those are the written proposals sent in. I ask you to remember, Sir, it was simply my jotting down the differences and certain points I wished to discuss with Sir Salar Jung, that is all. Then he would not discuss it, you must remember.

1410. Had not Sir Salar Jung a perfect right to presume that there was to be a first and second issue, from your words?—I do not know, because he never considered my proposal at all.

1411. Never mind whether he considered it; he might have considered it in his own house six days, or any time?—You find his answer to me the next day.

1412. Very well; he might have considered it six hours; he had a reasonable right to believe, when you said "first issue," you meant first issue?—I do not know.

1413. So that he knew so much of you that when you said "first issue" he was not to believe you meant it?—Well, you are pleased to put it in that way.

1414. I am putting it in *your* way; I should not put it for a moment in such a way?—I intended to discuss that point with Sir Salar Jung, had he given me the opportunity to do so.

1415. You said this point was not one you intended to discuss?—The question of the reduction of the 500,000 £. was certainly one.

1416. That is not the question. The question is about the "first issue"; you used the words?—Yes.

1417. Was it not in your mind at that time that this issue, whether 100,000 £. or 500,000 £., should be a first issue?—No; I cannot say that it was.

1418. Then why did you use the words?—I may have used them without a sufficient amount of consideration.

1419. Then you put in that; you used these words?—It may be as the deed itself described the words. It was a mistake of mine.

1420. You put in those words, or used them, without a sufficient amount of consideration?—Yes. I never thought they were going to be discussed in the way they are being discussed to-day, certainly.

1421. Very possibly?—It was only a letter proposing to discuss. One is not always absolutely accurate in one's expressions.

1422. The next day, after Sir Salar Jung received this letter, he wrote to you to say, "I do not think that His Highness's Government would be justified in rejecting the document" (that is White & Borrett's) "so carefully drawn up by experts; nor can I believe that the Resident and the Government of India would advise His Highness's Government to accept any vague agreement. I need not add that His Highness's Government will be quite willing to conclude with the draft agreement above referred to, if you are prepared to agree to it on the part of the concessionnaires." Is not that the case?—Yes.

1423. You were there on the 7th January 1885. Say that you are prepared to

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to accept this with some very, very minor alterations?—Yes, they were chiefly clerical.

1424. Clerical alterations; Sir Salar Jung wishes it to be 250,000 £?—On his own motion he had agreed to reduce that figure.

1425. He agreed to reduce it to 250,000 £?—Tho reduce the 500,000 £. to 250,000 £.

1426. Do you think when he agreed to reduce it from 500,000 £. to 250,000 £. that he did not think it was a first issue, although you had said so?—I really cannot tell you, Sir, what he thought.

1427. Do not you think he was induced by the fact of your using the words: "first issue"?—No, I do not.

1428. You think he imagined when he said 250,000 £. instead of White Borrett's 500,000 £. he meant to make a present to the concessionnaire of the extra 250,000 £.?—I did not consider it in that light. You remember I was only negotiating to get the deed; I had nothing to do with the handling of it afterwards.

1429. Have you read the letter of Sir Salar Jung to Mr. Cunningham at page 5 in the Correspondence, the letter dated 14th January 1885?—I have read it since the Committee was appointed, not before. Since I have been reading up the Parliamentary Papers.

1430. Have you read this: "The differences pointed out by Mr. Winter in his letter referred to are the following: (1). The original proposal dealt with the formation of the Company, with a nominal capital of one million sterling, which would undertake to expend 100,000 £. The revised draft contained a proviso that 500,000 £. should be subscribed by a certain day, and that the 100,000 £. to be expended should be actually paid up. Mr. Winter suggested that the first issue of shares should be for 100,000 £., of which 25,000 £. should be paid at once, and the balance in calls as required; and he represented that if the 100,000 £. which the Company undertook to spend had to be paid up immediately on the formation of the Company the money would only be idle for some time. I have consented to the amount to be subscribed being reduced from 500,000 £. to 250,000 £.; but I did not think it advisable to make any change in the proviso that the 100,000 £. should be paid up on the formation of the Company, as I considered this necessary to secure the soundness of the undertaking. I cannot follow the argument that the money will be idle, for it can readily be invested in 4½ per cent. rupee paper. Besides the amount is not more than the caution money already paid into the National Provincial Bank." You followed that as I was reading it?—Yes; I heard you read it.

1431. Do you still think that Sir Salar Jung intended to give an extra 250,000 £.?—I really cannot say what Sir Salar Jung intended.

1432. What did you intend?—In what particular respect?

1433. When you wanted a reduction from 500,000 £. to 250,000 £. or 100,000 £., what was your object in the reduction?—To enable the Company to be started with the smallest possible amount of money.

1434. You had not an idea that the rest would be given to the concession?—I am not a financier. I did not know how the deed would be used, or the difference.

1435. You had not an idea?—It never had occurred to me.

1436. When you say you were not a financier, you were a partner in this, were you not?—No.

1437. We will go into that later on. You received a payment as a solicitor solely?—Yes.

1438. You hold no shares in the Company?—Oh, yes; I have been paid by shares for my services.

1439. "Oh, yes." You have been paid by a good many shares, have not you?—A few.

1440. I believe the Lord Chancellor has laid down rules for payment for solicitors; it is quite above those rules, is it not?—I cannot say.

1441. You are dealing in hundreds and thousands here, are you not?—I am not aware that I have done anything unprofessional.

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Mr. *Littler*.] There is no rule that says that they must not have more.

Chairman.] Order, please.

1442. Mr. *Labouchere*.] I just asked the question; of course I am a layman. (To the *Witness*) You have seen this letter from Mr. Cunningham, have you not?—I have seen it recently.

1443. That was sent down to the Calcutta Government, was it not?—I know nothing more than what I see there in print. I know nothing of the particulars.

1444. You have seen in print that on the 4th February 1885, this letter was sent down by Mr. Cordery, the Resident at Hyderabad, to the Calcutta Government, the letter of Sir Salar Jung?—I have seen all the correspondence in this book.

1445. You were consulting Mr. Cordery, were you not, at the time?—Which time?

1446. This time?—Which date, may I ask?

1447. February 1885?—No; I think I was staying with Mr. Cunningham then.

1448. What was Mr. Cunningham?—He was First Assistant Resident.

1449. Then this was sent to Mr. Cunningham by Sir Salar Jung?—Mr. Cordery was away in the District at that time.

1450. Then when he came back, he forwarded this letter sent practically to him, although nominally to Mr. Cunningham the Resident?—I do not know anything more than appears there. I was not staying at Hyderabad for more than two or three days.

1451. You were not stopping with Mr. Cordery?—Not more than two or three days.

1452. When you were there, you did stop with the First Resident, Mr. Cunningham?—Not always.

1453. Sometimes?—I have stopped twice with Mr. Cordery, I have stopped once with Mr. Cunningham, and on other occasions I have stayed with friends.

1454. You have read that there was a letter from Mr. Durand to the Resident at Hyderabad, dated 11th April 1885, acknowledging the receipt of this long letter that had been forwarded from Sir Salar Jung?—I have seen the letters in the books; but, beyond seeing them, I know nothing of them.

1455. You say you never saw that letter?—I saw none of those letters except those written by myself.

1456. You saw none?—Except those.

1457. Mr. Durand sent up two memoranda explaining his views; do you mean to say that you did not see them?—I saw those.

1458. You were shown them by Mr. Cordery?—Mr. Cordery showed them to me.

1459. In those two memoranda we have this: The first memorandum says (Clause 2), "Before the 1st January 1886," and so on. Mr. Durand, in his letter, gives an assent to the signing of a concession, and practically *this* concession, with certain modifications?—Yes; he made several suggestions.

1460. He makes several suggestions as modifications?—Yes.

1461. Now in the first memorandum of modifications (Clause 2) we have this statement: "Before the 1st of January 1886, a first issue of shares to the amount of 100,000 £. shall have been taken up." You see the words "first issue"?—Yes.

1462. You say the "the first issue"?—Yes, I know that.

1463. Did you then give that any consideration; you say you had not given consideration to the first one when you wrote it?—I will tell you, if you will allow me, what took place then. I was up in Hyderabad for the opening of the railway extension to Dornakul. I was staying with friends, and was asked to breakfast with the Resident. I breakfasted with the Resident one morning, and he showed me these papers.

1464. Yes; he states, it, you know?—Yes; he asked me what I thought of them.

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them. I said: "I cannot interfere in the matter a bit. I have signed the draft already in January last, and approved of it as it stood; I cannot go behind my acceptance of it, and I do not think it is fair I should discuss it at all. The only thing I would venture to point out is that that the Company cannot be formed by the date mentioned by the Government of India, that is January 1886." I said "until the line is assured down to the coal-fields, the Company never can be started." That is the only suggestion I made, and I did not interfere or take any part in the negotiations between the Government of India, or the Resident, or the Nizam's Government, and I never saw those papers until they were printed in that book; and, as a matter of fact, I was in England during the greater portion of the time those letters were being penned.

1465. Still, you were shown these?—I was shown them and declined to discuss it.

1466. You observed naturally that the Government of India used precisely the same words as you did yourself, "first issue"?—They have apparently taken it out of my letter.

1467. Probably taken it out of your letter?—I should think so.

1468. So you think they presumed that it was intended to be the first issue by you?—They may have done so.

1469. In the second memorandum sent also there is the explanation of why they want it, is it not so?—Yes; I have read it carefully in this book. I know what it is now. It was just put in my hand; I read it over with Mr. Cordery; just glanced my eye over it; but had not considered it.

1470. "The first issue of shares has been reduced from 250,000 £. to 100,000 £., and the paid-up capital from 100,000 £. to 25,000 £. This has been done to meet the immediate requirements of the opening of the Singareni coal-fields, which, judging from the circumstances of existing coal companies in Bengal, can be efficiently worked with a subscribed capital of the amount proposed in the altered clause. The nominal capital is left as originally drafted in the Clause 1, as it is contemplated that further issues of shares will be made in the event of iron or steel works being started at Singareni, or the mineral wealth of the province being developed at other sites. The same object might have been equally well attained by the construction of separate companies, one to work the Singareni coal-fields with a moderate capital, and another or others to undertake the other operations; but the proposals now made were preferred as being more in accordance with the spirit of the draft agreement." You read that through?—I say I just glanced over it.

1471. Well, naturally, as you were the representative of Mr. Watson, and it was all important?—You must remember, Sir, I declined to take any part in discussing any of those points raised.

1472. Why did you?—Because I had already signed the deed, and there had been a certain amount of bad feeling between myself and Sir Salar Jung, and I did not wish to take part in any proceedings at all or negotiations.

1473. The deed was subject to the approval of the Indian Government?—Yes, I suppose so. I was prepared to leave it to the Indian Government.

1474. Then, when the Indian Government introduced all these differences, you washed your hands of things and said, "I will take no more notice of it; do what you like?—As a matter of fact, I came to England.

1475. When you saw this, you were there at the time?—Yes.

1476. And you did nothing?—No.

1477. Did you think the Indian Government meant what they said about the first issue?—I tell you, Sir, I did not go into the matter. I said to Mr. Cordery I was perfectly prepared to leave the matter to be arranged between the two Governments, for I would not interfere with it further.

1478. Chairman.] What is the date of the deed you speak of?—The signed draft of the 7th January 1885, as approved; and the deed was executed on the 8th January the next year.

1479. Mr. *Labouchere*.] Did you communicate with Mr. Watson; did you tell him?—No, I did not.

1480. The draft, as I understand it, was between Sir Salar Jung and Mr.

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Winter, subject to the approval of the Indian Government; it was then sent to the Indian Government to take their views as to what they thought of it?—I was no party to that.

1481. You were no party to it? You could not help being a party to it. You were there as a representative, and you were stopping either at the house of one Resident or the other?—Not always.

1482. Well, backwards and forwards. This most important matter was submitted to you; you had been fighting for the 500,000 *l.* to be reduced to 250,000 *l.* and 100,000 *l.*?—Yes.

1483. You find here that the Government of India reduce it on your own words, "the first issue," to 100,000 *l.* or propose to do so; yet you take no part whatsoever in it?—Sir Salar Jung did not agree to this. He did not agree to any single suggestion.

1484. But what do you think this meant about a further issue of shares?—I tell you, Sir, I did not go into the matter at all.

1485. You thought it safer not to, did not you? Now, do you mean to say you had not it in your own mind during the whole time; that it was desirable to make the first issue as small as possible, in order that you and your confederates might pocket the rest?—I do not know, Sir, that I am a "confederate." With great submission, I am not aware that I have any confederates in this business.

1486. You were a partner?—I was the solicitor acting for my client.

1487. Very well. Now what did you receive; let us get that?—I received one-eighth.

1488. You received one-eighth?—Yes.

1489. Sir *Richard Temple*.] One-eighth of what?—One-eighth of the mining concession.

1490. Mr. *Labouchere*.] You were then a partner to all intents and purposes.

Sir *Richard Temple*.] One-eighth of what amount.

Mr. *Labouchere*.] Of the 850,000 *l.*

1491. (To the *Witness*.) You were then a partner, and it was to your interest to get as much as possible, in order that your one-eighth might be increased, is not that the case?—Well, Sir, I tell you, I did not consider that point.

1492. I did not ask you whether you considered it?—But as you put it in plain figures, of course, there is no answer to your question but "yes."

1493. You were a partner?—I was to be paid by results.

1494. But you were a partner. You were to be paid by results, on a percentage to a share?—Yes, that is so.

1495. One-eighth. You were an absolute partner?—That is for you to form your opinion upon.

1496. Would you contest it; can you contest it?—I do not consider I was a partner; I consider I was being paid by results, although my payment was a proportion of the business.

1497. You were to have one-eighth, therefore it was your interest to get as much as possible?—Naturally.

1498. And yet you had not the slightest notion you say what was intended to be done with the capital which was not at first subscribed up?—No, I had not.

1499. Then you did not think they were going to make profits?—My idea was this, that we should form a Company, and that we should pay up the smallest amount that we could, and that we should go on developing the country, find out what we had got, and then sell it to other people. That was my idea.

1500. Allow me to ask this; when you say you received one-eighth, did you pay up one-eighth?—I did.

1501. That makes an absolute partnership, does it not?—I do not know.

1502. You did not alone receive payment by result; but as a partner you paid up a certain share into this partnership, as it is called, or Company, and received for the share you paid up a certain number of shares *pro rata*; is not that

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that a partnership?—Well, Sir, whatever it is that is what I got. I was paid that.

1503. And yet you did not think it worth while to take the trouble to express an opinion when these notifications came from the Indian Government that it was only to be a first issue?—No, I did not. I left it entirely to be settled between themselves; but, if the word "first issue" had remained in, I do not think I should have objected to it.

1504. You would not have objected to it?—No, certainly not.

1505. You saw clearly by this that the Government of India intended it to be a first issue?—That would seem to be their idea.

1506. Unquestionably; and when they reduced it below the figure put by Sir Salar Jung it was not with the slightest intention of in any way benefiting the concessionnaires?—I think you will find the letter states that it is with the object of benefiting the concessionnaires that they thought the terms of the deed were too onerous, they wanted the prospecting fee to be done away with and several other points modified, none of which were agreed to by Sir Salar Jung.

1507. That is the prospecting fee; that is nothing to do with the capital?—No.

1508. Now here you have the letter from Sir Salar Jung to Mr. Cordery, the Resident of Hyderabad, dated the 10th August?—I never saw that until it was printed.

1509. You have seen it since it has been printed?—Yes, recently, when I looked through the book.

1510. Now listen to this, "The Government of India suggest that the first issue of shares be reduced from 250,000 *l.* to 100,000 *l.*, and the paid-up capital from 100,000 *l.* to 25,000 *l.*, because they consider that the Singareni coal-fields can be efficiently worked with a subscribed capital of the reduced amount" (this is written after the memorandum had been sent to Sir Salar Jung). "But the Singareni coal-fields are not the only mines to be developed, for the Company will have a monopoly of all mines in his Highness's territories, including gold and precious stones, which can be worked at once. It seems desirable therefore that the soundness of the Company should be fully secured, for when the project passes out of the hands of the concessionnaires, the company that will be formed may not (as past experience proves has sometimes been the case) be able to raise further capital when required, and the inevitable result will be the locking up of the mineral resources of his Highness's territories. A safeguard is, therefore, absolutely necessary, and so far as his Highness's Government can judge, the only way to avert such a termination is to secure the issue of a sufficient number of shares in the first instance. His Highness's Government would not therefore feel justified in reducing the first issue of shares to less than 150,000 *l.*" So that again, after having had your letter about "the first issue," Sir Salar Jung still stands to his point that it is a "first issue," does he not?—He seems to think 150,000 *l.* is a sufficient amount to insure the stability of the undertaking, as I read it there.

1511. I beg your pardon; on the contrary, "the Company that will be formed may not (as past experience proves has sometimes been the case) be able to raise further capital?"—Quite so.

1512. This is to start the undertaking?—And with the supposition that they may never be able to raise any more; is not that so, Sir?

1513. No. Where is that?—To have a sufficient amount of subscription in the first instance, he says.

1514. Yes, that is the supposition that if this succeeds; they are to make that a test, the 150,000 *l.* They are then to raise more by the second issue of shares if it does succeed to get working capital; the first issue would not be sufficient to work to the full the Singareni mines. I suppose that is admitted?—I do not know; I do not know what the figures are.

1515. Anyhow, it seems that they are thoroughly penetrated with the idea that this is to be the first issue. You have convinced them of that, at least?—You have the letter before you, Sir. I cannot interpret another man's letter.

1516. I have asked you first to interpret your own; they are going upon that; they are using your own words all through, and explaining why you are

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so right in speaking of a first issue. Now we have the letter from Mr. Cordery to Mr. Durand, dated 31st August, in which he states that he has shown you the Memorandum.

Mr. Littler.] Before the honourable Member passes from that may I ask whether the Committee have before them the letter to which that is an answer of the 8th of May?—I have it here.

Chairman.] We will have it in.

Mr. Labouchere.] The 8th of May.

Mr. Littler.] The 6th of May.

Mr. Labouchere.] Who from?

Mr. Littler.] From Mr. Cordery to the Nawab Sir Salar Jung. I am told that it is in the Yellow Book, so that it is before the Committee. You will see this, "I beg to acknowledge receipt of your letter of the 6th of May;" the one you have been reading from, Sir, is an answer to that, and so I inquired whether the Committee had the letter to which that is the answer.

1517. Mr. Labouchere (to the Witness).] Now you observe what Mr. Cordery says. He says he showed you the memoranda?—He showed them me in April.

1518. This is dated August?—I was in England then.

1519. He showed you them then, as I have been asking you. "I have the honour to inform you that I submitted the two memoranda which formed enclosures to your letter under reply, and which contained several alterations suggested by the Government of India in the draft agreement, for the consideration of His Highness's Government and the agent of the Company," that is you?—Yes, that is me.

1520. "Mr. Winter, who is the Attorney in India of Messrs. Watson and Stewart, concurred generally in the proposals, with the exception of one point which will appear hereafter. Then it appears that you did look at the memorandum?—I tell you I glanced over it.

1521. You generally concur in them, with the exception of the one point; you must have done more than glance over them?—That is the way Mr. Cordery is pleased to put what took place between us. That is his account of the interview

1522. Mr. Cordery's account of the interview with you is that you generally agreed, with the exception of one point; that is scarcely the same as your account, that you just glanced through them?—Yes, I did. Mr. Cordery said, "I think the Government of India have done more for you than you have done for yourselves"; that is what he told me. That was his remark to me.

1523. Had you stated to him at that time that you were a partner in your position with regard to this?—I do not know that I did.

1524. You did not?—I do not see that I had any reason to take Mr. Cordery into my private confidence.

1525. You were supposed to be the attorney receiving the usual remuneration for it?—I do not know that there is a "usual remuneration;" you take what you can get very often.

1526. Well, you get something in the way of remuneration here?—Yes.

1527. Were you in India on the 22nd of September 1885?—No, I do not think I was. I left India on the 18th of August 1885, and I did not return to Bombay until the 21st of December of that year.

1528. Chairman.] When did you leave India?—18th August 1885 I left Bombay. I did not live at Hyderabad, but I returned on the 21st of December 1885.

1529. Mr. Labouchere.] There is a letter from Mr. Fitzgerald, who is *locum tenens* for Mr. Cordery, apparently, at the time to Sir Salar Jung, page 18 in the Yellow Book, Appendix K, dated from "The Residency, Hyderabad, 22nd September. Before leaving for Simla, Mr. Cordery received a telegram from the Government

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Government of India, intimating their acceptance of the modifications recommended by him in the draft agreement between his Highness the Nizam's Government and Messrs. Watson and Stewart, relative to mining rights in the Hyderabad State. The telegram states that a letter on the subject follows. The modifications which the Resident supported were almost identical with those contained in your letter to him on the 10th August. I would therefore suggest to you that, in order to save time, you should have a fresh draft of the agreement prepared on paper. It would not be necessary to re-copy the whole draft, but only such parts as are affected by the proposals now under discussion" (now this is the important point). "By the time this is ready, I shall have received the letter of the Government of India, and if you would permit Sirdar-Diler-ud-Dowla;" that is Abdul Huk?—Yes, that is Abdul Huk.

1530. "To call upon me with the revised draft, I would go over it with him clause by clause to ensure its correctness. It would then be engrossed on parchment, signed by you on behalf of his Highness' Government and forwarded to England for execution by Messrs. Watson and Stewart." Do you know whether Abdul Huk did go through it with him?—Personally I did not; I went up to Hyderabad, the end of December; I arrived in Bombay on the 21st of December, and I went up to Hyderabad the following week. On arrival there I met Abdul Huk, who told me that the draft had been completed between the Nizam's Government and the Assistant Resident, and he handed me a print of the draft which he told me was the draft as settled between the two Governments. That draft was in print. I found that there had been a further alteration, a clause had been inserted making the Singareni coalfields the first work to be undertaken, and the figure of 250,000*l.*, subscribed capital was reduced to 50,000*l.*; those were the only alterations since I had approved of the draft in the previous year; then I got it printed ready for execution.

1531. Then we may assume that there was this meeting between Mr. Fitzgerald and the other?—I should imagine that there was, but I was not present.

Mr. Pember.] It is not yet proved, Sir.

1531*. Mr. Labouchere.] He was the agent to the Indian Government?—Yes.

1532. Mr. Fitzgerald would represent the Indian Government, would he not?—He would be one of the Assistant Residents.

1533. And he would be the representative of the Indian Government, and Abdul Huk would be the representative of the Nizam's Government?—I suppose so.

1534. Now what was your arrangement with Abdul Huk at the time?—At which time?

1535. At this time, the 22nd September 1885?—No arrangement at all.

1536. You had not promised him anything?—Oh, long before that.

1537. You had promised him in the first Bombay Syndicate?—Yes.

1538. But that is very different from this?—That offer was renewed, that promise was renewed to the Sirdar when he got the proposal from Mr. Watson and Mr. Stewart.

1539. It was?—It was the same thing.

1540. That he was to have, what?—A four-anna share, one quarter.

1541. A quarter of the thing?—Yes.

1542. Chairman.] A quarter of the whole?—Yes.

1543. Mr. Labouchere.] Was the Government of the Nizam aware of this?—I imagined so, and that they knew all about it.

1544.—How?—On the strength of that letter from Sir Salar Jung.

1545. Sir Salar Jung was dead, the father?—Yes; but they had got a letter of Sir Salar Jung in 1884-85.

1546. Sir Salar Jung was dead, then?—Yes.

1547. Was that a letter on the railway scheme?—Yes.

1548. Chairman.] What is the date?—Fifth of November 1882.

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1549. Is it anything referring to this mining matter, and the four-anna share?—No; this is the only one.

1550. Mr. *Labouchere*.] Then there is the second letter you referred to; have you got the letter?—No; it is December 1881.

1551. I suppose it could be put in, could it not?—The India Office have a copy of it. I would not have it, of course.

1552. I have a copy of it; but, of course, I cannot put it in. This was the letter dated December 1881, a few days before this second letter stating that Abdul Huk was receiving from the Nizam's Government 5 per cent. upon the amount given to the Nizam for his railroad; was not that it?—Yes, that is it.

1553. That was upon the first offer, the Bombay offer of five years' guarantee and the mining concession together?—It was on the original offer.

1554. Are you aware that Abdul Huk took the money from the bank without informing his Government?—No, he did not do that.

1555. What did he do; you are his solicitor, you know?—No, I am not his solicitor; I am no one's solicitor. What he did was, that he received the purchase-money of the railway, and paid it into the credit of the Nizam's Government with the National Provincial Bank of England, less the 83,000*l.*

1556. He pocketed it?—Then his statement of accounts remitted to his Government showed the amount he had expended in England, and the top item was 83,000*l.* commission; then legal expenses and other things.

1557. There was a little trouble about it, was not there?—Yes.

1558. And a contest about it?—Yes; that made me all the more confident about my letter.

1559. The father, Sir Salar Jung, was dead?—Yes, he died in 1883.

1560. And Sir Salar Jung the younger contested this, did not he?—No, it was not quite contested.

1561. Well, what was it?—Sir Salar Jung and the Sirdar were not as good friends as they used to be; and Sir Salar Jung wrote a letter to the Sirdar, asking him if he had kept the whole of this 83,000*l.* for himself, or whether he divided it with anybody. The Sirdar replied that he had kept it all for himself. Sir Salar Jung, I believe, then wrote to the British Government, and asked if they approved of the Sirdar retaining such a large commission. This (mind you, I am only informed, I did not see the papers) went before the Government of India in Calcutta, I believe, and they declined to interfere, and the Sirdar stuck to his 83,000 *l.*

1562. That you call "recognition"?—Certainly.

1563. *Chairman*.] You have no knowledge, you say, of these facts yourself, as to what course the Government took?—I saw a letter about it.

1564. Mr. *Labouchere*.] You only heard this?—I saw the letters, or saw the copies of letters.

1565. Was there any communication made to you while you were there by the Nizam's Government, with whom you were in communication, Mr. Cordery or Mr. Cunningham, or any one of those gentlemen officially there, that Abdul Huk was to receive one quarter?—No, I never mentioned it; it was a private and confidential matter; a State secret.

1566. A State secret?—Certainly.

1567. A State secret from the existing Crown Minister, the then Prime Minister?—From the late Sir Salar Jung.

1568. Was it a State secret as regards the then Prime Minister?—I imagine the present Government knew it.

1569. How did they know it?—I cannot tell you how they knew it.

1570. You did not allude to it in any sort of way?—Certainly not.

1571. You did not allude to it when you were talking to Mr. Cordery?—No.

1572. You kept it as a State secret accordingly?—I never mentioned it to anybody.

1573. Then, in fact, nobody knew it?—I cannot say who knew it.

1574. Beyond Abdul Huk and the dead man?—I cannot say that.

1575. Do

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1575. Do you know whether the letter was a true one or a forged one?—A true one.

1576. How do you know?—I knew Sir Salar Jung's handwriting perfectly well.

1577. But do you mean that you would pay away 200,000 *l.* on your knowledge of a man's handwriting?—The proof of it is that it was done.

1578. You were obliged to?—There was no obligation.

1579. You had made a bargain with this man?—Yes.

1580. You do not think things would have gone through very smoothly if you had not?—To show the amount of faith between all of us, the deed was signed in January 1886, and the Sirdar's shares did not reach him until the year afterwards.

1581. You say, in the first instance, that your first knowledge of Abdul Huk was that you were going to bribe him?—No; I did not say so.

1582. In Bombay; I use your own word?—No, I declined. I said this might be interpreted as a bribe; unless I was satisfied that he was authorised by his Government to receive it.

1583. Then this second thing might be interpreted as a bribe, might it not; he was the representative of the Nizam, looking after the Nizam's interest?—Yes.

1584. The more you got the more he got?—I suppose that would follow.

1585. Then that might be represented as a bribe?—Well, Sir, suppose it was represented as a bribe, I still—

1586. In fact, it might be a bribe?—I still submit that he was justified in receiving anything he could get under that letter.

1587. Then, as I understand it, you consider he was justified, because he had shown you a letter in 1882, referring to a proposal which had fallen to the ground?—No; the proposal, if I may be permitted to say so, never fell to the ground; it only got into other people's hands, and was altered.

1588. Excuse me; if the proposal gets into other people's hands the proposal disappears, and it falls to the ground. The people and proposal disappear. There was a bargain made, it may have been a good bargain, with the Nizam's Government, obviously it could not be carried through, nobody would think of doing it on those terms?—They paid the commission on a 20 years' guarantee. They thought that good enough. They could have got it back again.

1589. That is an open question. There is the fact. Do not let us go on what the Nizam's Government thought, that the proposal and the people were entirely different; was it not so?—No.

1590. Let us stick to the mining proposal?—I do not think there had been any in that.

1591. Any what?—I do not think there was any alteration in that, except the names of the parties.

1592. The first proposal was that in consideration of getting this money at 5 per cent. they should have the mining concession. The second proposal was the mining concession, which had absolutely nothing to do with the railroad concession?—I mean about the terms of it.

1593. Is not that the case?—I have not got the document before me.

1594. I am speaking generally of the thing; you have there the letter, and you did not ask one single person or Mr. Cordery who was making himself responsible for all you were doing. You did not speak to him about this bargain with Abdul Huk?—No, I did not.

1595. You did not mention to Sir Asman Jah, the present Prime Minister; he was not Prime Minister then, I suppose? No; he had nothing to do with it.

1596. You did not speak to Sir Salar Jung, the son, the actual Prime Minister?—I believe he knew it.

1597. Why did you believe he knew it?—To commence with, I always understood the letter had been written out for the late Sir Salar Jung by one of his officials, and afterwards signed by him; and that official, I believe, is still an official of the Court. He would have knowledge of that letter.

1598. Yet you did not allude to it in the least?—I took it for granted they knew it.

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599. On

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[Continued.]

1599. Did you take it for granted that Mr. Cordery knew it?—That I did not know.

1600. Was Mr. Cordery in the position of financial adviser of the Nizam's Government?—That I do not know.

1601. You have been there frequently?—I have.

1602. And you have lived in Bombay?—Yes.

1603. Yet you know nothing of the position of the Resident in one of the Native States?—I have never been a Resident myself.

1604. You have lived at Bombay?—We have no Resident at Bombay.

1605. You have been often up to Hyderabad; yet you know absolutely nothing of their position?—They represent the Government there, I believe. They are the channel of communication between the Government of India and the Native Government.

1606. Mr. Cordery raised various points with you, did not he. He was the channel you knew of the Native Government, and had to assent to the concession to you?—It was to be obtained.

1607. You know that it had?—Yes.

1608. And you knew Mr. Cordery was their representative there?—Yes.

1609. Yet you did not think fit to tell Mr. Cordery that this man who was put forward as a negociator on the part of the Nizam had been bribed by you?—I only gave him what I thought he was entitled to by his Government Order.

1610. This Government Order of 1882?—Yes.

1611. And you did not take the trouble to do more; you paid over; how much would a quarter be; about 200,000 £., would not it?—Yes, 200,000 £. odd.

1612. You paid over an equivalent for 200,000 £. odd without taking the trouble to ask any single person there whether they knew anything about this letter, whether the letter had really been written by Sir Salar Jung, or whether it referred to this actual concession?—I knew it had been written by Sir Salar Jung.

1613. You knew it simply because you knew Sir Salar Jung's writing, and chose to consider that this was Sir Salar Jung's writing. Are you an expert in writing?—No; but his signature could not be mistaken.

Mr. Littler.] I believe the letter is here, in this country, at this moment.

Mr. Labouchere.] I am not saying it was or was not forged; I am only asking whether any steps were taken.

Mr. Pember.] There is a strong suggestion of forgery.

Witness.] I have the certificate here of Seyed Ali Bilgrami, officiating Home Secretary, that the original has been taken to England by Nawab Moshu-ul-Mulk. It is on the back of the copy of this letter I received.

1614. Mr. Labouchere.] You will admit you did not ask anybody about it?—No.

1615. In the innocence of your mind you paid over this 200,000 £.—Yes.

1616. You kept it from Mr. Cordery?—I never mentioned it to Mr. Cordery.

1617. Although you know his official position?—I did not mention it.

1618. You did not mention it to Sir Salar Jung, jun.?—No.

1619. You did not mention it to anyone?—No.

1620. You kept it, as you say, as a State secret from the State?—No, not from the State.

1621. From whom?—The State ought to have known it themselves.

1622. Why should you not allude to it?—It would not have been for me to commence a discussion with them about it; I submit it would not be for me to commence a discussion with them as to the action of one of their officials.

1623. We have got out what we want pretty well about that. Can you tell me who were your partners in this?—Mr. Watson and Mr. Stewart were the concessionnaires.

1624. You were to receive one-eighth?—I received one-eighth.

1625. Abdul Huk one-eighth?—Abdul Huk one-fourth.

1626. What

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[Continued.]

1626. What is Mr. Sharp's position?—Mr. Sharp, I believe, paid up some of the "earnest," or some of the "caution money."

1627. All of it?—No, not all of it.

1628. How much?—I cannot tell you the exact figure. I was not in England at the time.

1629. Mr. Sharp paid up a certain portion of the caution money?—Yes.

1630. And what was his share; do you remember?—I cannot tell you exactly. It was something like my own.

Chairman.] We can get it from the share list.

1631. Mr. Labouchere.] We can get it from the share list, or from Mr. Watson. How many shares were allotted to you?—I took my proportion of the 5 £. paid shares.

1632. The one-eighth?—The one-eighth.

1633. But considerably more than that seem to me to be allotted to you?—In the first instance, yes.

1634. In the first place when they were transferred?—Yes, I beg your pardon; the shares which were to go to Abdul Huk were allotted in my name.

1635. There must have been more than that?—And the shares for Mr. Forbes.

1636. What did Mr. Forbes get?—He got one thirty-second.

1637. What had Mr. Forbes done?—Mr. Forbes had been of use in India, I think.

1638. He had been of use in India, and he got one thirty-second of the thing?—Yes.

1639. Then you had all Abdul Huk's allotted to you?—Yes.

1640. It had ceased to be a State secret then, I suppose; why were not they allotted to Abdul Huk?—There was no one here to sign on Abdul Huk's behalf. I was going back to India very shortly, and it was thought advisable that the shares should be in my name, and that I could then hand them over to Abdul Huk and get back his proportion of the 75,000 £.

1641. Anyhow, the fact was concealed?—No.

1642. It was concealed; I do not say whether rightly or wrongly; the fact was concealed that Abdul Huk was a partner; it was not disclosed?—No, it was not disclosed; apparently not; but that is the reason why they were put in my name.

1643. The shares of Abdul Huk were changed into shares to bearer, were they not?—Yes.

1644. Did you hand them back to Abdul Huk as shares to bearer?—No. In December 1886 I received telegrams from the Sirdar, referring me to his bankers in London, who were instructed to pay me his proportion of the 75,000 £. exchanged for a transfer of the 5 £. paid shares, and that I was to have the other shares turned into share warrants to bearer, so that he could deal with them in India.

1645. Then you did hand shares over to him; his name does not appear on the transfer book?—What was done was this: I went out to India then, and I left a power of attorney behind me under which the transfer of the 5 £. paid shares and the share warrants to bearer were lodged with the banks in London for the account of the Sirdar Abdul Huk.

1646. That is to say as far as the 5 £. ones were concerned; with the others it was a blank transfer?—Yes, there was no one to sign for them formally.

1647. You know that is frequently done when a person does not want to appear?—The reason here was that they were lodged with his banker, having no one to sign on his behalf.

1648. Again, we have the fact, and I will say the coincidence, that it is not disclosed upon the transfer books that he ever was a shareholder?—That may be, I do not know.

1649. That is so?—I do not know; it may be so.

1650. Then in the end he converted himself, or did you convert the fully paid-up shares into bearer shares?—I did; as I told you I converted them.

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1651. Then

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1651. Then let us clearly understand this: the 5 l. paid shares were never in his name?—No.

1652. He got a blank transfer?—Well, yes; they were in my name originally.

1653. The 5 l. shares were originally in your name; you gave them to Abdul Huk (a blank transfer), but you did not transfer them?—I lodged them with the bank on the blank transfer.

1654. So that by another coincidence Abdul Huk, although becoming the absolute owner of the 5 l. shares, never had his name on the register?—No, I do not think he had.

1655. And as regards the 10 l. shares, when you handed them over to Abdul Huk, you handed them over as shares to bearer?—Yes, they were handed to his bank in London.

1656. I merely say it was a coincidence; he did not appear?—No, I suppose he did not.

1657. Do you know anything about the purchase of those shares?—No.

1658. You know nothing about that?—Not until after it was over, then I heard of it.

1659. I do not think I have anything more to ask you; do you want to say anything yourself?—No, I think, sir, you have asked me everything.

1660. You do not want to explain anything?—I do not know that there is anything to explain; if there is anything I can explain I shall be very glad to do so.

1661. *Chairman.* There are one or two matters I want you to explain to me, please; the draft agreement is contained in your letter of the 7th January 1885; do you recollect the date?—That is when I signed it, I think, when I signed the draft as approved.

1662. This is the letter from you?—Yes; covering the draft.

1663. This is what I meant, "I have the honour to inform you that, after receipt of your Excellency's letter of the 17th ultimo, I have considered most carefully the views therein expressed"?—Yes.

1664. That is called the new draft. Had there been any other draft of any other agreement or any other deed before that time?—Nothing but the proposal.

1665. No. I will tell you at once what is in my mind. It appears clear, I think, that the Hyderabad Government were at that time and after the 5th of January 1885, always intending there should be a first issue of 150,000 l. worth of shares; I think you yourself take that view that they did think so?—I mentioned in my letter "the first issue."

1666. It is over and over again repeated by everyone?—Yes, they took it up; they took up my text.

1667. Have you any reason to believe that they ever altered that intention, that the 150,000 l. should be a "first issue of shares"?—The negotiations between the Resident and the Nizam's Government took place practically between the August and the December of 1884 or 1885. During that time I was in England, and I knew nothing of what passed between the two Governments.

1668. I want to go back. Your draft is prepared in January, 1885?—That is White and Barrett's draft.

1669. Still you signed it, and you approved of it?—I signed it as approved, and Sir Salar Jung signed it also.

1670. But without his original modifications of it?—I reiterated one or two points.

1671. I beg your pardon; I have here the references, if necessary?—Here is my letter of the same date.

1672. I am referring specially to the letter of Mr. Cordery of the 4th February 1885. It is on pages 42 and 43 of the document I have before me. It is addressed to the Secretary of the Indian Government. He says, "I have also just received your telegram of the 2nd February, in which you ask for these papers, then being copied for transmission to you. Though I am still inclined to the belief that some of the arguments urged by Mr. Winter for a modification of the terms in the new draft agreement are more reasonable than is admitted by the Minister, yet, after his acceptance of these, as reported to you in

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[Continued.]

in my demi-official of the 8th January last, I am not disposed to recommend any further interference in his behalf?—Yes, he was rather annoyed with me.

1673. But you continued after the 7th of January to ask for modifications?—No, I never wrote again.

1674. I am speaking of after the 7th of January?—No.

1675. Neither verbally nor in any other way?—No, I never was there again until the following December.

1676. Throughout the whole of this year, so far as I can trace, I will tell you at once the conclusion I have come to; in 1885 the first issue of shares was contemplated as amounting to 150,000 l., and if you use "the first issue" it means that there is to be a subsequent issue; do you think the Hyderabad Government ever changed their intention that there should be a first issue?—I do not know. If you will allow me to say so, I never saw those letters until they were printed the other day; none of these letters; I never knew what took place between the two Governments.

1677. I point this out to you that in the agreement or draft agreement that you signed on the 7th of January, the words are identically the same as they are, or substantially the same as they are in the deed when drawn up, the Concession?—Yes.

1678. After you had sent in your deed of the 7th of January, it is quite clear that the Hyderabad Government intended there should be a first issue only of 150,000 l. worth of shares. Have you anything to point out to the Committee to show that the Hyderabad Government ever changed their opinion in that respect?—No. As I say, I never had any further negotiation about it.

1679. So I understand?—And I do not know what took place after, or what was in their minds.

1680. I quite accept your statement as to that. I am asking, now that you have knowledge of these matters, and have had an opportunity of looking at this document, can you suggest any act or words, written or spoken by representatives of the Government, that could cause you to come to the conclusion they ever changed the opinion which they once clearly entertained that 150,000 l. should represent the first issue of shares?—They are handling the deed and they tell me it was approved between the two Governments.

1681. There are two different constructions put upon the deed. After you put in that deed, and after it was said to be approved, would not that different deed represent that the Government thought of leaving the first issue of shares at 150,000 l. at that time?—That I do not know. I have no means of ascertaining the views of the Government because I never saw that correspondence; I do not know what was in their minds.

1682. You have seen it now, and I ask your assistance, if you can give it; can you point out anything which caused you to think the Hyderabad Government changed their opinion that there was to be a first issue of shares?—With very great submission, Sir, is not that for counsel to deal with?

1683. I beg your pardon, the Committee will deal with it. I am asking you after all the communications that have taken place in England and all the communications you made, if you can point out anything to us (if you cannot, there is an end of the question), which caused you to think the Hyderabad Government changed its intention?—The only thing I can point to, is that the use of the words "first issue" was made by myself, I think, inadvertently.

1684. No, not now, it is used very frequently?—Yes; but I started it. I started "the share," as I said before, and they took up my words afterwards, but whether it conveyed any difference to the minds of the Nizam's Government that the subscription was not to exceed so much, or whether the first issue was not to exceed so much. I cannot say not even on that correspondence, because in Sir Salar Jung's long paragraph, he uses "first instance," and "first issue" as if they both meant the same thing.

1685. I do not wish to go over the ground already travelled over, but what do you state to the Committee. Did you when you wrote those words intend that the 150,000 l. should be the first issue, or that there never should be any more, or was your mind in doubt on the subject?—No, what I was trying to deal with was the position. I was dealing, as I considered, with White,

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Borrett, and Cos. figure of 500,000 l.; White, Borrett and Co. stipulated as for 500,000 l. as the minimum figure for that. I wanted to get the minimum figure a great deal lower.

1686. A reduction of the 500,000 l. to 250,000 l. is not to the point. You used the words "first issue." Did you intend when you wrote those words that there should be a first issue; was it affirmative in your view, or was your mind in doubt?—If my figure had been taken 100,000 l. and only 25,000 had been paid up, of course more must be issued.

1687. I am speaking of the 150,000 l., not the 100,000 l. However, would you answer my question, please. At that time did you intend that there should be a first issue, or that there should be positively no more issue of shares, and that that should be the final issue; or was your mind in doubt upon the point?—Certainly there I was bound to get the 100,000 l. paid up, and nothing else; because I was dealing with the proposal which only provided for that expenditure.

1687*. When you wrote this, "I would submit that the first issue of shares be for 100,000 l., of which a proportion, say 25,000 l., be paid up at once, and the balance in calls at short notice and when required." Do you really mean to say you intended by the words, "first issue of shares," to convey that that should be the final issue, and that there should be no other issue?—I intended that the concessionnaires should not be liable to pay up more than 100,000 l.

1688. I do not quite know what that means. Would you answer my question, "I would submit that the first issue of shares be for 100,000 l.," did you mean there should never be any more?—Yes; that is certainly what I intended.

1689. What meaning do you attach to the word "first"?—I say I used the word inadvertently. I was dealing with the minimum amount.

1690. Did you ever discover the inadvertence?—No; I never took part in any other correspondence, I think.

1691. Yes, yes, this is the 16th December?—There is one letter more of mine; that is on the 7th January, I think.

Chairman.] Do any of the Counsel wish to ask any question?

Sir Horace Davey.] I should like to ask this gentleman one or two questions, if I might. Perhaps, Sir, I might take this opportunity, as I have been instructed to appear for the Sirdar Abdul Huk, to say that I have had put into my hands a telegram which has been received from that gentleman in Secunderabad, in which he states that an arrangement has been come to between himself and the Nizam's Government for the repurchase of the shares in question for 151,631 l. with interest: and that the agreement for that purpose between the Nizam and himself has been signed. I thought, perhaps, the Committee would like to know that I am so instructed.

Chairman.] Assuming that to be a correct statement, it seems that that is a restoration of the money he had received for the shares?

Sir Horace Davey.] Yes; I understand that it is the same sum that was charged or paid by the Nizam's Government; in fact, it is a rescision of the contract.

Mr. Solicitor General for Scotland.] Has he taken back the shares, Sir Horace?

Sir Horace Davey.] So I understand. I will read you exactly what the telegram says, then you will know as much as I do: "Re-purchase concluded for 151,631 l., with interest 5 per cent. Nizam has undertaken return of shares. Agreement signed." And then it states that the Nizam benefits 10,000 l. by the difference in exchange, which is immaterial to this inquiry.

Chairman.] That is putting the parties *in statu quo* really.

Sir

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[Continued.]

Sir Horace Davey.] Yes, so I understand; but I cannot tell you more than I have in my own possession in the words of the telegram. But from that I conclude that the agreement is actually signed by the Nizam; but whether the money is actually paid, and the shares returned, I cannot say at this moment.

Chairman.] That does not matter.

Sir Horace Davey.] I thought I ought to tell the Committee that; because I thought it might perhaps lighten your labours to a certain extent.

Mr. Mayne.] I might mention, on behalf of the Nizam's Government, that that telegram is authentic. I have a telegram similar to that. There are other conditions; but the conditions mentioned by Sir Horace Davey have been agreed to.

1692. Sir Horace Davey.] I am very much obliged to my friend for confirming my instructions. I did not know he had got similar instructions. (To the Witness.) I should like to ask you one or two questions, and they will be very few. I think you told us that you had that letter of Sir Salar Jung, a copy of which has been read, and I think you produce a copy, shown to you by Sirdar Abdul Huk?—Yes, I brought a copy with me.

1693. Was the original produced to you?—Oh, yes.

1694. And you know Sir Salar Jung's handwriting?—I have seen his letters for ten years prior to that.

Sir Horace Davey.] I think, Sir, a suggestion has been made that the letter is a forgery. If my learned friends who appear for the Nizam's Government intend to state that it is a forgery, they ought, at least I will not say "they ought" to say so.

Chairman.] No; we do not recognise appearing here by counsel with rights of parties to this transaction. I cannot call upon counsel to make any admissions. Will you ask the Witness any question you please.

1695. Sir Horace Davey (to the Witness).] This which you produced I understood to be a certified copy by somebody?—Yes. The history of that is that I telegraphed out to India the other day to send me a notarial certified copy of this letter.

1696. And what means this thing (*pointing to the letter*)?—That is the Hyderabad seal affixed by the officiating Home Secretary, Seyed Ali Bil Grami.

1697. Which he certified to be a "true copy of a true copy kept in Home Secretary's office, the original having been taken to England by Nawab Mohsin-ul Mulk." Is that gentleman attending this inquiry?—That is the gentleman who is at home now representing the Government.

1698. Representing the Government in London?—Yes.

1699. And according to this statement, he has in his possession the original?—It would appear to be so.

Mr. Mayne.] I may say that if the Nizam's Government's agent here has got that letter, we should produce it.

Chairman.] We do not recognise that parties here call upon one another to produce a document. Anything that is put in shall be put in.

Sir Horace Davey.] That I quite understand. I am quite sure you will appreciate the difficulty I am placed in (and none the less because my client is in India), when a charge of producing a forged letter is lightly thrown out, as I understood, by a Member of the Committee.

Chairman.] I did not understand the honourable Member to make any affirmative suggestion that it was forged; but simply as suggesting the extent to which Mr. Winter had guarded himself against the possibility of forgery.

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[Continued.]

1700. Sir Horace Davey (to the Witness).] Then I understand from you that the original letter was produced to you, and that you recognized Sir Salar Jung's handwriting or seal?—Yes, it was his handwriting.

1701. I cannot carry it beyond that. Now with regard to the railway remuneration which Sirdar Abdul Huk received; I think there were two letters, were there not, with regard to that railway remuneration?—I only saw one, of 1881.

1702. I will read you the letter which I am instructed was written, and you will tell me whether that is the letter.

Chairman.] What is this? The witness, as I understand, says he has not seen the letter.

Witness.] I saw the letter of September 1881.

Sir Horace Davey.] I was going to ask him whether this is the letter.

Chairman.] If you have any document we must understand what it is. From whom was this?

Witness.] It was from Sir Salar Jung to Abdul Huk.

Chairman.] Well, we cannot have that.

Sir Horace Davey.] Again, Sir, I have only got the copy in my brief. (To the Witness.) Is this the letter?

Chairman.] No, no; if you please, Sir Horace, you must have some paper or something to show this gentleman.

Sir Horace Davey.] I have been furnished with copies from India, and I am told the originals have been brought over by the Nizam's agent. I have no means of compelling him to produce them. I should have thought they would have been only too glad to produce them, but I cannot produce the originals.

Chairman.] If you will state your belief that there is any one in this country who has got them, the Committee will give you facilities for obtaining them.

Sir Horace Davey.] I am instructed that a gentleman, whose name I cannot pronounce so well as Mr. Winter, has got them.

Witness.] Nawab Mohsin-ul-Mulk.

Sir Horace Davey.] I understand that that gentleman has come over to England, as the agent of the Nizam's Government, with the originals of those letters in his possession.

Chairman.] There is a very easy course for you to take. If you wish to obtain possession of them you can obtain them. All you have to do is to take steps for the agent to appear here, and make the request that he shall produce them.

Mr. Mayne.] We have no wish to keep back anything in our possession. If we have the documents, we will produce them.

Sir Horace Davey.] Then I will ask my learned friend—

Mr. Mayne.] You will understand, sir, these are the native documents in native characters.

Sir Horace Davey.] No; this is in English.

Chairman.] Well, see what letters you have, Mr. Mayne.

Mr. Mayne.] Perhaps, you will allow my client to communicate with the English solicitors who instruct my learned friend, who state the date and purport of the letter which they wish to see. You will allow that to be done.

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[Continued.]

Chairman.] I do not think our allowance is requisite, but those documents will be produced before this inquiry is over, I have not the least doubt.

Mr. Labouchere.] You will have some more.

Sir Horace Davey.] You see I have no coercive powers.

Mr. Labouchere.] We can only invite this gentleman to appear. This gentleman is a Minister of a Sovereign State, therefore we can only invite him to appear.

Sir Horace Davey.] I did not think he would require so much dry nursing by the Indian Government.

Mr. Labouchere.] He will appear, no doubt, with his letters.

1703. Sir Horace Davey.] The letter to which I refer is dated the 28th December 1881, it is addressed to "My dear Syed Abdul Huk," and purporting to be signed, according to my copy, "Salar Jung." The other letter in my copy is, I regret to say, undated. It is also addressed to Abdul Huk, and signed by Salar Jung, and begins, "I think it is incumbent upon me to take this opportunity. (To the Witness.) Now with regard to these letters and the remuneration. I think you told the Committee that 83,000 l. was deducted by Abdul Huk out of the purchase-money he received in respect of the railway, on account of the Government?—That appears on the account.

1704. And that appeared on the accounts which were rendered to the Nizam's Government?—Rendered by Abdul Huk to his Government.

1705. And it was entered as a deduction by him for commission?—And that account was signed and approved by Salar Jung.

1706. Mr. Labouchere.] The younger?—Yes; Salar Jung the younger.

1707. Sir Horace Davey.] There was afterwards some correspondence about it with the Indian Government and through Mr. Cordery, was there not?—Yes, there was a lengthy correspondence.

1708. And there was a memorandum written by Sir Salar Jung about it, dated the 16th August 1886, was there not?—I cannot tell you the exact date.

Sir Horace Davey.] I do not know, Sir, whether you have this copy of printed letters relating to this question. It is a document which I fancy I saw in the hands of one Member of the Committee.

Chairman.] What document is that?

Sir Horace Davey.] It was a document with a brown cover without anything on it, but beginning with a memorandum of his Excellency Nawab Salar Jung (with a number of titles), Prime Minister to his Highness the Nizam.

Chairman.] We have not got it, Sir Horace.

Sir Horace Davey.] Then I have not got the original, and, I suppose, you will not allow me to use it.

Chairman.] Not yet.

1709. Sir Horace Davey (to the Witness).] Then, I think, ultimately the Indian Government, through Mr. Cordery, acquainted the Nawab with the opinion of the sum being paid?—I understood that, that they would not interfere and that they let him have the money.

1710. I understood you to tell the Committee that the original proposal varied very much from the draft as prepared by Messrs. White, Borrett & Co.; is that so?—Of the Mining Concession?

1711. Of the Mining Concession?—Oh, yes, there was considerable difference.

Chairman.] The documents are in.

Sir Horace Davey.] I do not think, Sir, that the attention of the Committee has been directed to what the original proposal was.

Chairman.] We have got it.

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[Continued.]

Sir Horace Davey.] It is on page 5 of the Parliamentary Papers.

Chairman.] We have got it; you do not want to put it to the Witness. We will compare those two.

1712. Sir Horace Davey.] I merely draw attention to it. (To the Witness.) That is the original proposal to which you refer?—Yes; the one of November 1882, I think.

1713. "The concession to Messrs. John Stewart, Clarence Watson, and others, of all mines, fields, beds, and deposits of coal, clay, iron, and all other minerals, the said Messrs. John Stewart, Clarence Watson, and others, in consideration of this concession in his Highness' territory, to raise a limited liability company in London with a capital of one million sterling, who will expend at least 100,000 l. in the development of such mines, and, if the working of the mines proves sufficient for that purpose, will guarantee to provide the railway company with a minimum mineral traffic equivalent to 1 per cent. on the capital of the railway company." The proposal was a document of the 17th of November 1882, was it not?—Yes.

1714. And that contains the original proposal to which you refer?—The proposal of Watson and Stewart, then attached to that by way of schedule, is a skeleton form of the Deed of Concession.

1715. Where is that original proposal; do you know?—I suppose it is with the Hyderabad Government; it was sent to them; Sir Salar Jung acknowledged receipt of it.

1716. Did you see the document of the 27th of November in which that proposal was contained?—I have never seen the original; I saw a copy.

1717. And did that contain the authority to Abdul Huk to treat with the parties in London?—No, sir, what I understand is this: that after the proposal was sent out to the Nizam's Government that the late Sir Salar Jung telegraphed home and said that he had received the proposal and would give it his best consideration, and that Abdul Huk was fully authorised to communicate.

1718. That was when Abdul Huk came to England in 1882?—In 1882.

1719. But the instructions from the young Salar Jung after his father's death must have been in 1883 or 1884, surely?—Eighteen hundred and eighty-three.

1720. That document also, I understand, is in England in the hands of the Nizam's agent?—He brought home the power of attorney.

1721. I am furnished with what I am instructed is a copy; I have not got the original, and have no means of producing it at the present moment; then, if I understand you correctly, in the draft prepared by Messrs. White, Borrett, and Co. the scheme was accompanied with the nominal capital of 1,000,000 l., and a subscribed capital of 500,000 l.?—Yes.

1722. And nothing was said whatever as to the amounts in which that subscribed capital was to be issued. The draft is before the Committee?—No, it simply mentioned the amount *en bloc*.

1723. Simply mentioned the amount of the subscribed capital?—Yes.

Chairman.] Will you excuse me? The Committee are very anxious to keep to their rule and maintain it. This is going over ground that is entirely before the Committee and all a matter of observation. This is no new matter that you are introducing to us.

Sir Horace Davey.] I am sure, sir, with your experience you will appreciate the difficulty in which I am placed.

Chairman.] Yes; but you are treating this as if it were a case in court. We have really passed over all this, and it is matter in our minds, which is really before us. If you have any new matter to introduce we shall be pleased to hear it.

Sir Horace Davey.] If I am to be of any use to the Committee I must bring my points to the attention of the Committee from my point of view.

Chairman.] The Committee will take such steps as they think proper about your addressing them, but do not wish that the Witness should go through the same points again.

Sir

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Mr. WINTER.

[Continued.]

1724. Sir Horace Davey.] In your letter of the 16th December 1884 I have been referred to an expression which is used: "I would submit that the first issue of shares be for 100,000 l., of which a proportion, say 25,000 l., be paid up at once"?—Yes.

1725. You say nothing whatever as to the proposal that the subscribed capital should be 500,000 l.?—No, I do not. My object, as I explained, was—

Chairman.] Excuse me, Witness. We must ask you, Sir Horace, to keep that rule; that is comment which speaks for itself. If you are to address the Committee, well and good; but you are putting to the Witness a construction he has already given.

Sir Horace Davey.] Well, Sir, I will not ask anything more than—

Mr. Pember.] I do not know whether you think I ought, or ought not, to ask this one question; but it is rather on that point. I caught from the Witness in the early part of his examination, though his answer was not quite completed, because the honourable Member who was examining him took him to something else, that there was a meaning which he was not unwilling to attach to these words of his, which was to this effect: that Salar Jung might have refused to reduce the 500,000 l. as the ultimate subscription, but he might have consented to a first issue of a portion of that 500,000 l., and to an immediate payment up of a portion of that first issue; and I wanted to ask the witness on that point this one question, and only this one question: That if Sir Salar Jung had agreed to such first issue of the 100,000 l., or any other similar sum, and a payment up of 25,000 l., or any similar sum, leaving the question of the ultimate subscription of 500,000 l. or any smaller sum as an ultimate subscription, still unsettled; whether or not that would not have given a meaning to the words "first issue" which were present to his mind.

Chairman.] I really do not think your asking that question would have the slightest effect. The Witness has heard it, and he may answer it if you like; at least I do not know whether he remembers the whole of the question.

Mr. Pember.] That is not the whole question; I prefaced it to you. I can ask (and can answer) the question quite shortly.

Chairman.] Then put it, if you please.

1726. Mr. Pember (to the Witness.) This proposal of yours, that Sir Salar Jung should agree to a smaller issue in the first instance than the 500,000 l. ultimately to be subscribed with a portion of the 100,000 l. paid up, would have been compatible with leaving the ultimate amount to be subscribed, 500,000 l., or any amount that might have been agreed upon?—Oh, yes; it was quite compatible.

1727. I thought you stated that was in your mind as a possible contingency?—It was; but I am afraid I did not explain myself very clearly.

Chairman.] Mr. Hall, when he was in the box at your suggestion, handed in a number of very recent or comparatively recent reports from these mines. They are in the originals; I do not think the Committee can take charge of them. If you wish to put them in (I do not think the Committee will think them of very much value now, being so very recent, and since this matter has attracted public attention), you must please make copies of them.

Mr. Pember.] They are all printed, I think, sir; I think I said they were all printed, and that copies were at your service.

Chairman.] They are all recent, and I do not think they are very material.

1728. Mr. Labouchere.] There is one question I might ask this witness. (To the

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[Continued.]

the *Witness*.) You heard Mr. Evans' evidence, did you not?—Yes; I was in the room.

1729. You heard him state that he sold for a syndicate of the concessionaires?—Yes.

1730. Were you in that syndicate?—Yes; I pooled some of my shares.

1731. You pooled them with whom?—Mr. Watson.

1732. When did you pool them?—I cannot tell you the exact date.

1733. Was it almost immediately after getting them?—No. I do not think we pooled them for two or three months.

1734. You then pooled them to sell them to the public?—That was the object of the pooling; we do not pool them to keep them, sir.

1735. Can you tell me about the average you got for your shares?—About 10½, I think.

1736. On the whole amount?—Yes.

1737. That is inclusive of Mr. Evans' commission of 10 s.?—I got the 10½.

1738. So that they would be sold at about 11¼?—Some of them for 14.

1739. How many did you sell on the pool of yours?—I could not tell you; I have not got the account here.

1740. I mean to say proportionally of the amount you held altogether; a quarter?—I might sell a good many.

1741. Half?—I think I have got three or four thousand left.

1742. And what was your total amount at the first?—That is calculation; it is one-eighth of the whole.

1743. One-eighth of 85,000; that would be about 12,000, or 11,000?—About 11,000.

1744. *Chairman* (to the *Witness*.) The Committee may have a question or two to ask you on Friday next, if you can conveniently attend the Committee. If that is inconvenient, you may please attend another time?—I would rather, if I may say so, appear next Friday, so that I may then get away after that, as I wish to get out of town as soon as possible.

Mr. Pember.] You asked me to keep back the proposal to hand in that extract from the proceedings of the Government of the Nizam in the Home Department, No. 165, 1887, until I had got the letter which accompanied it.

Chairman.] Kindly put it in when you come on Friday morning.

Mr. Pember.] I will.

Chairman.] If any of the parties represented by counsel wish any further witnesses to be called, they must be good enough to send in their names before Friday next, and be prepared with the witnesses on Friday next, if they are desirous to call them.

Mr. Mayne.] I might ask whether we should be entitled to copies of any documents put in.

Chairman.] Certainly, every facility will be granted to you with any documents.

Friday, 8th June 1888.

MEMBERS PRESENT:

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.
Mr. McLagan.

Mr. Slagg.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

THE RIGHT HON. SIR HENRY JAMES, IN THE CHAIR.

Mr. Mayne.] SIR, with reference to your intimation at the last meeting as to the production of witnesses, will you allow me to mention that we have given in notice of the fact that there are three witnesses we intended to submit to the judgment of the Committee: Mahdi Ali, the representative of the Nizam's Government; Mr. Cordery, the Resident at Hyderabad while these proceedings were going on; and Mr. Fitzgerald, who was acting Resident during part of that time. We are instructed that the Committee have taken upon themselves to ask the attendance of those witnesses.

Chairman.] That is not quite correct, I think the Committee would like to learn from you who are the witnesses you think it advantageous to call?

Mr. Mayne.] Those three witnesses, Sir, as regards Mahdi Ali I understood that he had received an intimation from the Committee that they were anxious that he should present himself. He is most anxious to do so; but on this day he regrets that he will be unable to do so, because he had previously made arrangements to be elsewhere.

Chairman.] We understand that. We have a letter from him, and of course we will consider his convenience.

Mr. Mayne.] He will be at the disposal of the Committee any day after this. Mr. Cordery and Mr. Fitzgerald are witnesses who are both in England. I believe they are both available for the purposes of the Committee, and we suggest that it would be very advantageous that they should be summoned.

Chairman.] We will attend to all you say, Mr. Mayne.

Mr. Mayne.] I do not know, Sir, whether you consider this a proper opportunity for me to submit to your attention parts of the Parliamentary Paper which have not yet been submitted?

Chairman.] No, if you please we prefer going on and taking the ordinary course with the witnesses.

MR. WM. CLARENCE WATSON, sworn; and Examined.

1745. *Mr. Labouchere.*] You were the first associated, I think, with the proposal to obtain a concession for the railroad, and the mines in Hyderabad, in 1881?—No, not exactly.

1746. Were you present then?—I first heard of the business in 1881.

1747. You became one of the promoters, in fact?—No, not in 1881.

1748. In what year?—In 1882 I made my proposal.

1749. No, but you were present when Mr. Winter was examined, were you not. I think he is your brother-in-law?—My brother-in-law.

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1750. Mr.

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Mr. WATSON.

[Continued.]

1750. Mr. Winter stated, I think you will find, that he exchanged telegrams with you, and that you became one of the promoters of the first proposal; the Bombay Syndicate proposal?—No, not quite so. He telegraphed to me from Bombay, asking me if I would take a share in a mining and railway scheme.

1751. But Mr. Winter gave us a list of the division of the annas allotted to each person in this first proposal, and he gave in your name as one who was to have a two-anna share?—That he might have arranged out there in his own mind.

1752. You know nothing about it?—I know nothing about it except that Mr. Winter telegraphed to me from Bombay. I then asked for further particulars, and he came home the following February.

1753. And he put your name down without your authority in any sort of way?—Practically.

1754. Well, really?—If the business had been a good business I was willing to undertake it.

1755. That you were willing to do?—I wished for further particulars.

1756. Then Mr. Winter had got no right to put you in as one of the concessionnaires?—There was no concession then.

1757. There was a proposal submitted?—My name was not in it.

1758. Anyhow, you are aware that that proposal fell through?—I am aware that as regards that identical proposal (which I paid very little attention to) the people who were in it did not carry it through.

1759. You know what that proposal was?—No.

1760. Do not know in the least?—I only know what I have heard here.

1761. Your brother-in-law put you down for a share in it, and says that you were one of the promoters; yet you did not know what it was?—Subject, probably, to my taking it when he came home, and submitted full particulars.

1762. This was with the Government of the Nizam?—Not in my name.

1763. Anyhow you know now that the proposal was to buy the railroad, and for the Nizam to give a five years' guarantee upon the capital; you know that now, do not you?—Yes, I know that now.

1764. And to give you the mining concession, to throw it in?—Absolutely.

1765. Absolutely the mining concession was to be thrown in in consideration, I take it, of the short guarantee that was asked from the Nizam?—I do not know about that.

1766. Anyhow it was a five years' guarantee?—That I believe.

1767. You are aware that although your name was put in, when this matter was submitted by Abdul Huk to the Bombay Government they said that the gentlemen whose names were put in did not present a sufficient financial surface to induce them to consent to it?—I was not aware that my name was put in, nor do I think it was put in.

1768. Whether your name was put in or not, you are aware that that is how it fell through?—Not owing to my name being in.

1769. No, I do not say that we have taken Mr. Winter's evidence, and he puts your name in; we take it from Mr. Winter, but whatever names were put in, the thing fell through, owing to the Bombay Government saying that they could not advise the Nizam to negotiate or to give a concession to the gentlemen whose names were put in?—But my impression, Sir, is that my name was not in that.

Sir Horace Davey.] I do not think Mr. Winter said that Mr. Watson's name was put in.

Mr. Labouchere.] Did not I read these names, Sir Horace-Hughes, Barnett, Winter, Forbes, Huk?

Mr. Pember.] What page is that, Sir?

Sir Horace Davey.] It is referred to at page 68.

1770. Mr. Labouchere (to the Witness).] Then after this deed fell through Abdul Huk was sent to England, was he not?—I believe so.

1771. He was sent to England to negotiate for the railroad, on his first visit?—I believe so.

1772. He

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[Continued.]

1772. He did negotiate with Messrs. Rothschild and Co. and Messrs. Morton, Rose and Co?—I heard that. I do not know it.

1773. He then went back to India?—Some time after.

1774. He returned to London about July 1883, did not he?—I do not recollect exactly.

1775. I am coming to the point where you came into the negotiation, it was somewhere about that time, was it not?—In September 1882.

1776. There were two journeys of Abdul Huk to England, the first was to negotiate with Morton, Rose and Co., or Rothschilds; the second was when he went back to India with some sort of proposal from Morton, Rose and Co. about the railroad, and then he returned to England when your negotiations began?—No.

1777. Well, will you explain?—He came to England early in 1882, and he, I believe, negotiated with Barings, Rothschilds, and Morton, Rose and Co., respecting the railway scheme, and got a proposal from Morton, Rose and Co. In September 1882, he asked me to call on him, and asked me if I would make a proposal for the mining.

1778. No, no, I do not want the mining. I am going on the railroad first?—I know nothing of the railroad there.

1779. When did you put in your proposal for the railroad?—I never put in a proposal at all for the railroad.

1780. Not for the railroad?—No.

1781. But you brought out the railroad?—Yes; but I never put in a proposal for it.

1782. Did he submit a proposal to you?—He insisted upon my carrying it through on terms better for the Nizam's Government than those which were agreed with Morton, Rose and Co.

1783. We will go into this; he insisted upon your carrying it through?—He insisted upon my carrying through the railway scheme before he would enter into the mining business.

1784. We will go into the mining business afterwards. I want to know about the railway scheme. You know, of course, what the old railroad was?—Yes.

1785. The old railroad was a railroad with a capital of 1,000,000 £ sterling, was it not?—No.

1786. How much?—It was half a million sterling, 6 per cent. perpetual bonds issued in England, and a half a crore of Halli Sicca rupees, carrying interest at 5 per cent. per annum in Hyderabad.

1787. That was a million?—No.

1788. What was the difference?—The exchange at that time was 1 s. 7 d. for the British Government rupee, and the Halli Sicca rupee is 20 per cent. worse, so, taking it roughly, the sterling value of the half crore would be 360,000 £.

1789. That was a perpetual guarantee, was it not?—A perpetual guarantee, I believe.

1790. Your new company that you proposed, or that he forced on you, was to have a capital of two millions sterling?—Yes; first issue.

1791. With power to raise 2½ millions in debentures?—Yes; 4 per cent. debentures.

1792. With a guarantee of 5 per cent. on the two millions?—Yes.

1793. And a guarantee of 5 per cent. on the debentures; 1 per cent. of which was to be taken as a sinking fund?—Yes.

1794. That was it, was it not?—That was it; both for 20 years.

1795. The amount that you agreed to pay the Nizam was 1,666,000 £?—Yes.

1796. It was paid in this fashion: 500,000 £ worth of shares?—Yes; worth to-day—

1797. Never mind: I am not asking you about that; 500,000 £ worth of shares, and 625,000 £ in cash to be given to the English debenture holders of the old line?—No; to the English Guaranteed 6 £ per cent. shareholders.

1798. Two hundred thousand pounds to be put up as a security for the first payments of the guarantee?—£ 200,000 to be deposited with trustees

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[Continued.]

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[Continued.]

to secure the interest under the guarantee; the interest on the 200,000 £. to be paid to the Nizam's Government.

1799. One hundred thousand pounds cash?—Yes, 100,000 £.

1800. There is a subsequent one, 241,000 £. debentures, and 100,000 £. cash; this cash that was given to the Nizam would have to be reduced by the 83,000 £. of Abdul Huk?—They gave him that themselves.

1801. Never mind whether they gave him that themselves or not, it had to be reduced by that?—They paid him that. What they did with their money when they got it is their own business.

1802. Never mind that; 3,500 £. to the directors of the old Company?—I believe something about that.

1803. About 5,000 £. were the expenses of Abdul Huk we have got it down here?—That I know nothing of.

1804. I suppose you have seen the Yellow Book?—Yes.

1805. I am giving you it quite right in round figures?—In round figures.

1806. Then the Government got for their railroad, after making these payments, in encashed for themselves on 500,000 £. worth of shares?—Yes.

1807. Two hundred and forty-one thousand pounds worth of debentures?—Yes.

1808. I leave out the 625,000 £., because that was for the old shareholders?—Yes.

1809. Two hundred thousand pounds, which was to be put up?—Invested for them.

1810. Invested for them, and 12,000 £. in cash?—No; 100,000 £. in cash.

1811. No, no; after the deductions (we understand perfectly what it is) they received this in hard cash?—I do not know anything about it.

1812. I am asking you all. Surely when you brought this out you knew about the thing?—I did not know of the 83,000 £. when I brought that out.

1813. You did not?—No.

1814. But you know it now?—Yes.

1815. Then you know as a matter of fact that the Government did only receive 12,000 £.; they only got that after their payments and outgoings?—The Government got 1,666,000 £.

1816. I will ask you to go into that when we have got to that stage. I am asking you about the 100,000 £. You know that they did pay Abdul Huk, do you not?—Yes.

1817. And that they did pay this old committee?—Yes.

1818. So that they did only get 12,000 £. in the end, debtor and creditor?—In cash, after deducting those payments, that would be a correct figure; but would you allow me, Sir. I think I ought to state something more than that.

1819. Certainly?—The Government got 1,666,000 £. for a railway bringing them in something like 12,500 £. a year, which was over 100 years' purchase. They got that, and they got 500,000 £. of it in a security, which to-day is worth 570,000 £. They got 241,000 £. in a security, which to-day is worth "105," which makes probably another 270,000 £. odd; and they got 200,000 £. which is invested for their benefit in $4\frac{1}{2}$ per cent. rupee paper; and they got the balance in cash.

1820. Never mind what the price is; my figures are correct of what they got then; you left the Nizam's Government still to pay the perpetual guarantee of 25,000 £. a year?—No.

1821. What?—That guarantee comes to about 18,000 £. a year.

1822. Very well, about 18,000 £. a year, if you like to put it so; you left them still to pay that, did not you?—They had arranged that in India; it was their business.

1823. Were the shareholders in any way consulted as to whether they liked to be brought out?—I do not know.

1824. You did not trouble yourself about that?—The Government gave a guarantee of indemnity to the Company against the claims of those shareholders.

1825. How could the Government give the guarantee?—A Government can do a great many things.

1826. Who

1826. Which Government?—The Indian Government.

1827. Do you mean the British Government?—No; the Nizam's Government.

1828. And did not ask the shareholders at all?—That I do not know.

1829. You accepted that. You do not state in your prospectus that you issue one single word about this first charge upon the old railroad to these old shareholders?—The company issued the prospectus; I had nothing to do with it.

1830. But it is not stated, is it?—I do not know.

1831. Do you mean to say you underwrote the thing, and did not look into the prospectus?—Very carefully at the time, but that is now five years ago.

1832. If you like to look you can, but I think you may take it that there was none (*handing a document to the Witness*); you will see there is nothing about it?—I should just like to look at it. Of course this was sanctioned by the Government of India.

1833. Yes; I have no doubt; you see there is nothing in it?—I have not gone through it, but I need not trouble.

1834. Then putting aside all guarantees on extensions, and all monies for that purpose, the thing works out in this way; that 1,666,000 £. was paid to the Nizam's Government for the railroad on which the Nizam's Government guarantee 5 per cent.?—Yes.

1835. And 100,000 £. was given to you for promotion, on which the Government guarantee 5 per cent.?—Yes.

1836. That comes to 1,766,000 £., adding the 100,000 £.?—Yes..

1837. So that the whole thing works out in this way: before the old railroad the Government had given a perpetual guarantee of 48,000 £. (the 30,000 £. and the 18,000 £.) perpetual guarantee; on this in exchange it remains a perpetual guarantee of 18,000 £., and instead of the perpetual guarantee of 30,000 £. it gave a guarantee for 20 years of 88,000 £., you will see 88,000 £. charged on the 1,666,000 £.?—That is splitting up all the business.

1838. Yes, I am splitting up; I am asking you these figures?—It is splitting up the business.

1839. Never mind; you can state this, I think; I am asking yes, or no, is that the case?—The Government guaranteed 5 per cent. on the total capital of the railway company.

1840. I am asking you to say yes or no; are those figures correct?—That they gave a guarantee on the money they received themselves, and on the money they paid me for floating the railroad do you mean?

1841. Yes?—Yes.

1842. And that amounted to 1,766,000 £.?—Yes.

1843. That in round figures was a guarantee of 88,000 £. per annum for 20 years?—Five per cent. on that amount.

1844. So that I am perfectly correct in saying that instead of a perpetual guarantee of 48,000 £. they remained with a perpetual guarantee of 18,000 £.?—Not perpetual; I beg your pardon.

1845. Yes; if they do not buy that out (they have to buy that out) it is perpetual as it stands; it is perpetual at 18,000 £.?—And then they get a responsible company to construct a magnificent series of railways in their country which will very much improve the country.

1846. That is your opinion?—And which is the great thing the Government of India wanted.

1847. That is your opinion; you have issued 1,000,000 £. sterling of debentures?—Yes.

1848. The plan that was submitted was to issue these debentures at 4 £. per cent., was it not?—Yes.

1849. With a sinking fund of 1 per cent.?—Yes.

1850. As a matter of fact the debentures were issued at 85, were they not?—At 90.

1851. The syndicate got them at 85, I think?—No.

1852. Did the Government get the 90?—No.

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1853. Who

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[Continued.]

1853. Who got it?—The Company paid me a commission of 5 per cent. on 748,000 *l.* (I think that is about the figure of the debentures), and I guarantee the placing of those debentures at 90.

1854. That is what you call underwriting: you underwrote them?—Yes, underwrote them; secured them.

1855. So that the Company got 85?—The Company got 85, and a very fine price it was at that time for a 4 per cent. security of a native state.

1856. Still here in the scheme it is proposed to issue them at par; this assumes that they are to be issued at par?—I should think not.

1857. Does it not?—No.

1858. What are they at now?—One hundred and five.

1859. Why are they better now?—Because the credit this is to the—

1860. To what?—To the success of the railway.

1861. What is the success of the railway?—They are now paying wonderfully for the short time the railway has been open, the credit has improved so much that the guarantee of the 4 per cent. debentures is now a very perfect security.

1862. The success of the railroad is that it is paying 50,000 *l.* a year, is it not?—With a very small portion of the new line open.

1863. Is it paying 50,000 *l.* a year; and what was it paying before?—Paying 50,000 *l.*, and daily increasing.

1864. Never mind that, stick to actual figures; it is paying 50,000 *l.* now?—And about 12,500 *l.* a year before, on an average.

1865. You know Mr. Winter put it at 15,000 *l.*?—Yes; but he took the rupees at par.

1866. It is paying 50,000 *l.* per annum now, and the Nizam has to meet the guarantee on 2,000,000 *l.* and 1,000,000 *l.* of debentures, the 150,000 *l.*?—Yes; for 20 years.

1867. So that at the present moment the Nizam is paying it 100,000 *l.* per annum?—£. 150,000.

1868. Yes; but there is the 50,000 *l.* to come off?—Yes.

1869. One hundred thousand pounds it costs him per annum?—Yes.

1870. So that at the present moment, so far as he is concerned, he is no great gainer?—Oh yes, he is a great gainer. He has got the railway, which, in a very few years, with the development of the Singareni coal, will absolutely relieve him of all guarantee.

1871. Perfectly; but that is prophetic. I am dealing with actual facts. Of course we know the prospectus is supposed to contain actual facts?—The line is not yet completed.

1872. I am asking you about the business as it is; all the rest is a matter of opinion. I am asking you as to facts. Then he guarantees himself on this 500,000 *l.* worth of shares that he has?—The guarantee is for the whole capital issued.

1873. And on the 241,000 *l.* debentures?—On the whole capital issued.

1874. So that as yet he is no gainer by the shares?—Not as yet, but in prospective he will be.

1875. I am talking of the capital of the Company, 2,000,000 *l.* sterling?—Yes.

1876. You had to raise 1,259,000 *l.* in this sense; 241,000 *l.* was given in debentures instead of in cash, as in the arrangement?—Yes.

1877. Five hundred thousand pounds in cash?—Yes.

1878. You had to raise 1,259,000 *l.*; is that so?—No.

1879. How much?—£. 748,000.

1880. I am not talking of the debentures, but the 2,000,000 *l.*?—Of the 2,000,000 *l.*?

1881. Yes?—I had to raise one million and a half.

1882. But you gave 241,000 *l.* in debentures instead of in cash?—That is in addition to the share capital.

1883. We will call it one million and a half?—I think if you would allow me I would make a statement of those accounts, if the Committee would allow me

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[Continued.]

me to put it in. Figures are curious things to discuss, and the facts I could bring out in a short statement if the Committee would allow me.

Mr. *Labouchere.*] Yes, please.

1884. *Chairman.*] Make the statement, Mr. Watson, if you please?—I will put it in in writing, if you please. I have made a note of it to give it you.

1885. I thought you wished to make a statement to the Committee now?—No.

1886. If you hand it in in writing there will be an opportunity of testing it;—Yes.

1887. Mr. *Labouchere.*] Then I am asking you about this 100,000 *l.* You got 100,000 *l.* promotion money for raising 150,000 *l.*?—A million and a half.

1888. I beg your pardon; one million and a half. That is so, is it not?—And that was considerably less than was asked by Messrs. Rothschild, Messrs. Morton, Rose and Co., and I believe Messrs. Matheson and Co.

1889. It is stated here that it was less by 12,500 *l.* I am reading out of the Despatch of the Yellow Book of Abdul Huk?—Yes.

1890. Less by 12,500 *l.* than was asked by Morton, Rose and Co.?—And there is another point; by Morton, Rose and Co.'s contract the railway was to be constructed at 6,340 *l.* a mile. In the arrangement with me the line was constructed by the Company for under 5,000 *l.* a mile; so that the Nizam's Government gained the difference on 215 miles of railway of between "under 5,000 *l.*" and the "6,340 *l.*" a mile; which comes to something like 300,000 *l.*

1891. Now will you listen to this: "The Sirdar Diler Jung has also shown me Mr. Watson's accounts and original vouchers for the expenditure of 100,000 *l.* granted to him by the directors for underwriting and incidental expenses incurred in floating the railway company, and proved to my satisfaction that the remuneration Mr. Watson had received was quite inadequate"?—Yes.

1892. You received 100,000 *l.* I see, the price of underwriting?—Four per cent., and 1 per cent. brokerage, 5 per cent.

1893. Five per cent.; that would be 75,000 *l.*?—Yes.

1894. Now give us the other?—The total expenses?

1895. I do not want totals; I want details, if you please; what was the other expense; we have got the 75,000 *l.*?—I cannot give you that out of my memory for the moment. I can give you the total.

1896. What was the total?—The total came to 93,000 *l.* out of pocket.

1897. Now, I want you to tell me, you must know, speaking generally, and giving round figures, what other expenditure was there besides the 75,000 *l.*?—There was the lawyers.

1898. What did the lawyers get?—I cannot tell you that right off.

1899. Was that your brother-in-law, Mr. Winter?—He had some, and Bircham and Co., the solicitors.

1900. How much did they get?—I forget now.

1901. Five thousand pounds?—No; I do not think so. I forget now.

1902. Not so much; what else was there?—The advertising, which was very expensive.

1903. How much was that, 4,000 *l.* or 5,000 *l.*?—I dare say it was.

1904. I should think so; that would be 85,000 *l.*, putting down the lawyers at 5,000 *l.*, which is very high?—And a lot of other expenses.

1905. A lot of what?—Contingent expenses of issue.

1906. But what?—I told you, Sir, I do not recollect right off the details of this.

1907. You have got what you call contingent expenses, after paying for underwriting, commission on underwriting, lawyers, and advertising, according to your statement, 93,000 *l.*; you put your contingent expenses at 7,000 *l.*?—Somewhere about that.

1908. But you cannot tell me?—I should be making a mistake possibly if I gave it without having the details before me, and I do not wish to do that. The actual expenditure out of pocket was 93,000 some odd pounds.

1909. Did you qualify any of the directors?—No.

1910. I am not asking you for the amounts, but I am asking you what this was; give me one item?—Yes; now I recollect one item. The National Pro-

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vincial Bank issue commission of a quarter per cent.; that is about 3,750 l. on a million and a-half.

1911. Then there would be an extra 5,000 l.?—Then, in addition to that, owing to the serious attacks of the newspapers and the Stock Exchange on this security, some of my underwriters broke down. I had to take up the shares myself to the extent of about 70,000 l., and these shares dwindled down to nearly 25 per cent. discount. That is a serious matter.

1912. You did not underwrite anything yourself?—No.

1913. Then you will be good enough to hand in in writing details, will you?—Certainly.

1914. But we may take it from you that you made, putting aside the underwriting, 7,000 l. on the transaction?—No, I lost about 15,000 l., having taken these shares up.

1915. You took 70,000 l. of shares up?—Yes.

1916. At the underwriting price, of course?—Yes.

1917. And you lost 15,000 l. because they went down?—Because they went down; yes.

1918. Does not the underwriter, when it goes down, hold; is not that the whole theory of underwriting?—To hold the stock is a matter of speculation.

1919. If he had held his stock he would have made considerably; you chose to sell?—Naturally; I may have sold or not. I had to take them up at the price of the day.

1920. You chose to sell; and the underwriters, if you took on 15 per cent., lost a great deal more than you did?—Unfortunately they did, owing to these vicious attacks that were made on the railway.

1921. They got nothing out of the mining concession, did they?—No.

1922. Now we have got through the railway; your first offer (Messrs. Stewart and Watson's) was in November 1882?—7th November.

1923. That was during the first visit of Abdul Huk to England; but when he negotiated with Morton, Rose, and Company, Rothschild's, and so on?—Yes.

1924. This was the mining concession; he went back to India with your offer in his pocket?—Yes.

1925. He then submitted the scheme to Sir Salar Jung?—Yes.

1926. He approved of it?—Yes.

1927. Sir Salar Jung died in February 1883?—Yes: Sir Salar Jung telegraphed to me in January, before he died, that Mr. Stewart's and my proposal would receive his best consideration, and that Abdul Huk was authorised to communicate with me. It was a telegram somewhat to that effect; that was in January 1883.

1928. And in the next month he died, in February?—I believe so.

1929. The action of Sir Salar Jung, in sending Abdul Huk back to England was approved of by the Regency, was it not?—Yes, I believe so.

1930. And Abdul Huk came then over to England for the second time to negotiate with Morton Rose for the railroad, and with you for the mining scheme?—Yes.

1931. That is so, is it not?—Yes.

1932. On his arrival he communicated with the India Office, did he not?—Yes, I believe so.

1933. And you are aware now that the India Office wrote back; Lord Kimberley says we give you permission to negotiate; "I am desired to add that his Lordship in Council will expect to be informed of any engagement into which you may propose to enter before their completion"?—That was in the letter of the 5th July 1883.

1934. Yes, you remember that?—Yes.

1935. And in the rest of the letter he says that they are perfectly ready to give him advice on the subject, does he not?—I believe so; you have the letter before you.

1936. Yes, I am taking it shortly. Then negotiations took place during some months, did they not?—What happened then was that Morton, Rose and Company refused—

1937. No,

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1937. No, no; refused the railroad; we have got clear of the railroad?—No, we have not; because that is where we blend the mines and the railway together again.

1938. I will come afterwards to that. We are going through the mines first. During these negotiations it was felt by the India Office that lawyers ought to be employed to draw up another draft proposal or concession, or whatever you like to call it, instead of your proposal?—The Sirdar informed me that the India Office considered our proposal too vague and that they had instructed him to get an agreement drawn out by Messrs. White, Borrett and Company.

1939. Very well, and Messrs. White, Borrett and Company in speaking of the constitution of the Company in a Despatch (let us call him Abdul Huk for short) to Abdul Huk, says, "With reference to the constitution of the proposed Company the concessionnaires contend that if the 100,000 l. is raised by debentures or otherwise, the Government ought not to insist on any share capital being provided. In other words that the Company should be simply what is popularly known as a "founder's company," which is equivalent to a simple agency for finding other parties willing to take leases without any security, that such parties will properly work the mines and pay the royalties. In accordance with this view, they further claim the right for the proposed Company to transfer the benefit of the concession to any nominees they may select independently of the Government. It appears to us" (now this is Messrs. White, Borrett and Company), "however, that the original proposal contemplates a *bond fide* company for the purpose of working the mines with a large available capital over and beyond the 100,000 l. to be paid up in the first instance as a condition of releasing the deposit"?—Would you mind reading that again, Sir?

1940. "It appears to us, however, that the original proposal contemplates a *bond fide* company for the purpose of working the mines with a large available capital over and beyond the 100,000 l. to be paid up in the first instance"?—Yes, quite true.

1941. Well, it has not got that large available capital, has it?—It can have it whenever it likes.

1942. It has not it?—It has a very large available capital. It has 88,000 l. doing nothing at present after spending a large sum on the Singareni Coal-fields.

1943. Do you call that "a large available capital"?—For the purposes of this Company at present.

1944. Well, it has got 88,000 l. Then the India Office finally write the following Despatch, which I have no doubt was shown to you by Abdul Huk: "With reference to the proposed mining lease, the negotiation of which was one of the objects entrusted to Sirdar Diler Jung, your Excellency will observe from the concluding part of his letter of the 25th January that it has been considered advisable not to proceed further with this matter at present"?—That was not shown me by Abdul Huk.

1945. You knew of its tenor?—No.

1946. You knew of the Despatch; no doubt you read it?—No.

1947. Have you never seen it before?—In one of the books lately.

1948. "And that its consideration will be postponed until he returns to Hyderabad;" it was postponed?—It was.

1949. That is the same thing; then Abdul Huk goes back to Hyderabad?—Not having given me the mining concession on the terms of my proposal, I having performed my part of the business.

1950. We will go into that afterwards?—I think I may state—

1951. I must ask you in my way; I will give you full opportunity to say it afterwards; I will ask you about the mining matter?—I beg your pardon.

1952. He goes back; then you heard the evidence of Mr. Winter, did you not?—Yes.

1953. You know what transpired at Hyderabad between Abdul Huk and Sir Salar Jung, Mr. Cordery, and your representative, Mr. Winter: I presume he sent you full copies?—No.

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1954. Did

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1954. Did not he send you anything?—I knew of what transpired as regards the negotiations in 1884.

1955. Yes, December 1884?—December 1884 I was not aware of the letter of Mr. Winter. I had no copy of it. The first I heard of any of the negotiations was when Mr. Winter sent me the draft contract signed in January 1885.

1956. You did not know anything about this question of the first issue?—Never heard of it.

1957. After that draft contract had been signed, you are aware that it was submitted to the Calcutta Government?—I knew that when I read the Parliamentary Book in September 1887.

1958. Then your representative out there did not tell you a single word of anything that had gone on?—I beg your pardon, I did know that it had been submitted to the Government of India.

1959. Did you know of the reply of the Government of India?—No.

1960. Did you know of those two memoranda?—No.

1961. You knew nothing about it?—No.

1962. You left it entirely to Mr. Winter?—Entirely.

1963. But Mr. Winter told us that after it had been sent to the Indian Government, and a reply had been received, with the two memoranda, he went away from Hyderabad; who then negotiated for you?—No negotiations were carried on then.

1964. I beg your pardon?—As far as I am aware.

1965. I beg your pardon; there is the negotiation, and Mr. Durand writing?—From what I read in the Blue Book, the first I saw was in the Parliamentary Return, and this negotiation was entirely between the Nizam's Government and the Government of India, and we knew nothing of them. I knew nothing of that, never heard of it, and never saw them until I saw them in the Parliamentary Return in September 1887, a year after the Company had been formed.

1966. You knew nothing of the two memoranda; you know the memoranda I mean, A and B, in which it is stated the Government of India wished for a first issue?—I knew nothing of that until I saw it in the Blue Book.

1967. You did not know that Mr. Durand had written to say "the first issue"?—No.

1968. You were not shown that?—No, I knew nothing of it.

1969. That agreement was signed 1st January 1886?—Yes, signed in India.

1970. Then the agreement stated "issue," not "first issue"?—I never saw the word "issue" in the agreement, nor did it, as far as I recollect, contain it. Is it there, Sir?

1971. I will read it. It says: "If such a company shall be formed before the expiration of the period fixed in Clause I, and if before that period 150,000 l. of its share capital at the least shall have been subscribed for, and 75,000 l. shall have been actually paid up in respect of the subscribed share capital," &c., &c. That is what it says?—There is no "issue" there, and no maximum subscription.

1972. Allow me to ask you this, if the words "first issue" had been inserted in it should you have refused to go on?—I really cannot tell you what I should have done at that time. I had no opportunity of discussing it. The Nizam's Government and the Government of India settled the contract between them. It was sent home to the Secretary of State in February. The Secretary of State had it before him from February to July. They sent for me. They said here is your contract; there is a certain alteration we require, will you accept it (that is about the ten years). They said, here it is, you may take it; and practically they said, you may take it or leave it.

1973. I presume from what you have read of the correspondence now, the Nizam's Government did mean a first issue, and the Indian Government meant a first issue?—I do not think so.

1974. You do not?—No.

1975. Well, but what are these memoranda?—I am sure I do not know.

1976. What

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1976. What do you think it meant?—I do not know, I do not know what was in their heads at all.

1977. I must submit it to you. Will you be good enough to listen to this, because you say you have read this now?—Yes.

1978. And that you have not an idea of what the Government meant?—No.

1979. Now is not this clear. "The first issue of shares has been reduced from 250,000 l. to 100,000 l., and the paid-up capital from 100,000 l. to 25,000 l. This has been done to meet the immediate requirements of the opening of the Singareni coal-fields which, judging from the circumstances of existing coal companies in Bengal, can be efficiently worked with a subscribed capital of the amount proposed in the altered clause. The nominal capital is left as originally drafted in the Clause I., as it is contemplated that further issues of shares will be made in the event of iron or steel works being started at Singareni, or the mineral wealth of the province being developed at other sites." And do you say that you having read that do not understand what the Government meant?—It might infer that, but it does not say so, and I had nothing whatever to do with their negotiations.

1980. I am not asking you that. You say you have read it, and that the Government did not intend that?—No.

1981. What do you think they meant by "further issue"?—I do not know what they meant.

1982. Did not it mean that as there were 150,000 l. issued by what they call the first issue, they retained the capital at 1,000,000 l. in order that "a further issue of shares will be made in the event," &c. &c.?—No, I do not read it like that. The business was this: that so long as we, the concessionnaires, provided 150,000 l. to work the business, and paid the prospecting fee to the Government, and paid them their royalties (which were very heavy on the coals, and which have to be fixed by the mining board afterwards) we were to be at liberty then to make what we could out of the business.

1983. That is what you say?—Yes, and the Government gave me that (that is what they always told me) as my reward for my great services to the State.

1984. We are coming to these eminent services a little later on. I want to know how much is required in toto, to work the Singareni coal-fields or would be required to work them up to their full capacity?—Probably not more than another 20,000 l. more than we put down.

1985. Not more than that?—No. That would give us then an output of 1,000 tons a day, with increase.

1986. Now we will come to what you have been asking me about; you say that the mining concession was given you on the ground of having been so useful in the railroad?—Yes.

1987. From whom do you derive that?—From the Government's agent.

1988. Abdul Huk?—Certainly; he was in communication with his Government, also their letter to Lord Dufferin, appears in the Parliamentary Blue Book, also the letter to Sir Salar Jung in his memorandum.

1989. Lord Dufferin derived it from Abdul Huk?—I do not know where he derived it from.

1990. Where else could he derive it from?—I do not know.

1991. Did you tell him?—No, I did not. Probably he derived it from his own Council. The Government of India was extremely anxious to have these coalfields opened.

1992. Mr. Cordery derived it from Abdul Huk?—I do not know where Lord Dufferin got his information from.

1993. Abdul Huk, at any rate, has laid that down?—

Mr. Littler.] Mr. Watson does not say so, Sir.

Witness.] I should say, Sir, it did not originate from him. I should say it originated with Sir Theodore Hope, or some of the Council at Calcutta. They were extremely anxious to have the coals opened out so that they might supply the Southern India with this good coal, and save an enormous amount in their working expenses, and probably bring the whole of the

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Southern system of Indian railways into a paying condition instead of their costing the State the large amount they do now.

1994. And still cost?—And will until these coals are available.

1995. This is what Sir Salar Jung writes in his long Despatch in the Yellow Book, in speaking of this concession and the action of Abdul Huk?—Have I seen it?

1996. Yes, you have seen it in the Yellow Book. It is that long Despatch of Sir Salar Jung?—Is that the Yellow Book that is printed?

1997. That is the Yellow Book that was printed, and this is from Sir Salar Jung to W. J. Cunningham, Esq., dated 14th January 1885. It is in the Parliamentary correspondence too?—Then I have seen it.

1998. This is how Sir Salar Jung explains how he came to know it: "He," (that is Sirdar Abdul Huk) "also represented the very valuable services rendered by Mr. Watson in bringing about a satisfactory settlement of the railway scheme, by which His Highness's Government had largely benefited, besides helping the Sirdar to devise schemes for acquiring the interests of the old shareholders." That is one of them?—And a very material one.

1999. "And extinguishing the perpetual guarantee, and for forming a sinking fund for the redemption of the debenture capital." You say it was a very material service, devising the scheme in the interests of the old shareholders?—Yes; to get those shareholders to accept 125 for their 6 per cent. perpetual guarantee was the most difficult thing to do, as they were not bound to surrender those bonds under any consideration.

2000. And you got them to do it?—I undertook to do it, and did do it.

2001. Had you got them to do it?—Not at that moment, but I undertook to do it, and did do it.

2002. At the present moment have they all accepted it?—Everyone in England; that is what I undertook.

2003. Has everyone in Hyderabad?—I know nothing of Hyderabad.

2004. You know nothing about that; then you left these unfortunate Hyderabad people to make their own terms?—Their own Government were to deal with them, and I cannot suppose that the Government would treat them badly.

2005. Then the devising a scheme to acquire the interest of the old shareholders was simply to say to the old shareholders: "Will you take 125;" if they said "Yes," yes; and if they said "No," no?—No, that is not all.

2006. That is what it amounted to?—It required a great deal more than that. It required a great deal of talking to get them to give up this 6 per cent. You cannot get 6 per cent. for money very easily.

2007. You had a letter from Abdul Huk, had you not; you were shown the original letter from Abdul Huk, giving him a share in the concern?—No.

2008. You never saw that letter?—No; not the original.

2009. You never saw the original?—No.

2010. What were you told?—I was told that Mr. Winter had seen the original, and he assured me that it was in perfect order.

2011. You have not looked at it at all?—I never saw the original.

2012. When did Mr. Winter tell you?—When he was home in February 1882.

2013. In February 1882 what did Mr. Winter tell you?—That he had seen the authority of the Regent that the Sirdar Abdul Huk should make whatever arrangement he thought fit for his own personal benefit with the promoters of the mining scheme.

2014. Did he tell you when that letter was dated?—Yes.

2015. It was dated before your second proposal, was it not?—I never had but one proposal.

2016. Before your proposal?—Certainly; I should not have made it without.

2017. It was dated before that?—Certainly.

2018. How could it have alluded to yours when yours had not been before the

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the Government?—It was the opening of the business he had the authority to make that arrangement.

2019. The opening of the business; why there was the Bombay Syndicate going on all the while?—The Bombay Syndicate was dead and buried long before.

2020. Dead and buried before when?—Before I made my proposal.

2021. Was it dead and buried long before that proposal?—January 1882.

2022. No?—I think it was.

2023. Mr. Winter tells us it was not?—I think in January 1882 it was dead and buried.

2024. It was submitted in January 1882; that same January Abdul Huk went to Calcutta to submit the plan to the Calcutta Government?—What date was that?

2025. Eighteen hundred and eighty-two?—What date in 1882?

2026. January; this letter was dated 5th January 1882; in that same month Abdul Huk went to Calcutta to submit the proposal of the Bombay Syndicate to the Calcutta Government?—But this letter of authority which Abdul Huk had, I always clearly understood, referred to the mining business that I was concerned in, and in which I made my proposal in November 1882.

2027. You understood it from Mr. Winter?—And from Sirdar Abdul Huk.

2028. Very likely; but you understood it from Mr. Winter besides from the Sirdar?—Yes.

2029. You did not ask for the date?—Yes I did; I asked Mr. Winter; he said January.

2030. You know there had been a Bombay Syndicate going on before?—No; I know the business was going on, but whether they made any definite proposals or not I do not know; I was not in it.

2031. And you thought that this referred to the subsequent thing you were going to propose, or to all proposals?—To my proposal.

2032. Although it was dated before your proposal was submitted?—Certainly. It would not have done to have had it dated after.

2033. I should have thought it would?—I wanted to know that I was safe before going into the business.

2034. Then this came to your knowledge in February 1882?—Yes.

2035. And you felt yourself safe in going into the business. So far as Abdul Huk was concerned; Abdul Huk, who was the representative of the Government, told you he was to be allowed to receive a present from you, and your brother-in-law told you he had seen a letter to that effect?—Perfectly.

2036. That perfectly satisfied you?—Perfectly, as the authority was from the Regent, who was the King, practically.

2037. Not the Regent?—Sir Salar Jung, who was the Regent, and practically the King of the country.

2038. But you did not even look at the letter?—I never saw it.

2039. Then you accepted the statement of your brother-in-law, Mr. Winter?—Naturally.

2040. And you did not inquire what it referred to in the least; he told you, and there it was?—He told me the exact contents of that letter, that Abdul Huk was authorised to make whatever terms he liked with us, and Abdul Huk confirmed that to me before I gave him my proposal.

2041. When did you agree to give Abdul Huk his particular share?—Before my proposal went in.

2042. That would be before November 1882?—Before November 1882.

2043. It was agreed that he was to be a partner to the extent of one-fourth?—No, not a partner. You may call it that if you like; he was to receive one quarter of the mining concession.

2044. Well that was a partner; did you tell any one of this?—I told Mr. Stewart, he was perfectly aware of it.

2045. Mr. Stewart was your partner?—Yes; Mr. Stewart thoroughly understood the business and went into it, and was perfectly satisfied as well as myself.

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2046. Obviously;

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2046. Obviously; did you take any steps to tell anyone else?—No.

2047. You were in negotiation with the Indian Government while this proposal was going on, and on the second visit of Abdul Huk when the negotiation about your mining concession with White and Borrett and all were going on?—Yes.

2048. You were brought in connection with a committee were you not, of some sort, in India?—Never.

2049. You were not brought into that?—No.

2050. Who were you brought into connection with?—White, Borrett and Company.

2051. Did you tell them?—No; why should we? this was a Government order.

2052. You did not tell them?—They were supposed to know it was a Government order. I was informed that Sir Salar Jung had sent the letter.

2053. Did you make any inquiry after Sir Salar Jung had died?—No; Mr. Winter had the negotiation in hand.

2054. Mr. Winter did?—I do not say that he did or did not. I say he had the negotiation of the business.

2055. You did not tell the Indian Government; you did not tell anybody?—Why should I?

2056. You knew this gentlemen was acting as representative of the Nizam? With their authority.

2057. You saw that letter from Lord Kimberly, telling him he might negotiate with you?—Yes..

2058. Did not you feel it your duty to state that he was your partner?—Certainly not, it was his duty.

2059. Undoubtedly; now we will take the shares; Abdul Huk was given one quarter of the first issue, or rather was paid for one quarter of the first issue of 150,000 £., was he not?—Yes.

2060. His name does not appear upon the register?—No.

2061. They were taken in the name of Winter?—They were taken in the name of Winter.

2062. When he received his portion of the promoter's shares, the 850,000 £., they were handed over to him as shares to bearer?—Mr. Winter converted them into shares to bearer, and the shares were handed by Mr. Winter's order and by order of Abdul Huk (both the share warrants to bearer, and the blank transfer of the 3,750 shares) to the Chartered Bank of India for the account of the Sirdar Diler Jung.

2063. So that it never appeared upon any record of the Company that he was a partner, or that he had any shares?—No.

2064. You did inform, I thought I saw here, or the Company did inform the India Office of the formation of the Company?—Yes.

2065. That was sent to Mr. Cordery, who communicated it to Salar Jung, junior; the formation?—We sent an official communication to the Government.

2066. That the Company was formed?—That the Company was formed; that the 150,000 £. was subscribed; 75,000 £. was paid up; and that was a legal document drawn out so that we should be freed from all responsibility, and signed in accordance with the terms of the contract.

2067. Did you send to the Government here any statement that the 85,000 shares had been distributed amongst you?—No.

2068. Then the Government here did not know of it?—They must have known of it almost immediately after the formation.

2069. How?—I believe they received the memorandum and articles of association.

2070. Yes; they received the memorandum and articles of association; but here is a minute, I think, of your first meeting of the Board?—Yes.

2071. A minute in which the directors voted you 85,000 shares?—We sold the concession.

2072. Perfectly?—We were a private company; we formed ourselves into a private company.

2073. Then

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2073. Then in point of fact there was no communication (I cannot find any here) to the Government; that is to say, no specific communication that you had sold the concession for 85,000 shares, and that those had been allotted to you?—It was communicated to them.

2074. Where?—I cannot recollect exactly how; but it was, I believe, communicated to them.

2075. Can you show me any single document?—It was officially communicated to them in a very official document in the Company's accounts in the following April.

2076. Communicated to the Government here?—Communicated to the Government here. A copy of the accounts, I think, was sent to the Government here.

2077. But was it?—I believe so.

2078. But you do not know?—Oh yes; it was sent to them, and I think they can produce a copy of it from the India Office.

2079. The accounts and balance-sheet of the year?—The balance-sheet.

2080. The Company was formed and it had the seven shareholders, as we know?—Yes.

2081. Then there was a resolution passed at the first meeting giving Mr. Stewart and you the 85,000 shares?—For the concession.

2082. For the concession; they were then distributed in certain proportions, were they not?—Yes.

2083. Mr. Forbes had some, did he?—Yes.

2084. Who was Mr. Forbes?—Mr. Forbes was a merchant in Bombay.

2085. What had he done?—I really do not know; Mr. Winter can tell you what he had done more than I can. I do not know.

2086. Do not you know your own business?—Yes; but the Indian part of the business was left entirely to Mr. Winter.

2087. Then Mr. Forbes had done something mysterious in India?—Not mysterious in any way.

2088. What had he done; surely you would know?—He had assisted Mr. Winter, I believe.

2089. How much did he receive?—He received a 1-32nd.

2090. What had Mr. Sharp done?—Mr. Sharp was brought by Mr. Stewart into the business. I did not know Mr. Sharp until then, and Mr. Stewart and Mr. Sharp between them found the 100,000 £. deposit which we made as caution money.

2091. How much did Mr. Sharp get of those shares?—He got a sixteenth, so far as I recollect.

2092. He got a sixteenth for his 50,000 £. of the caution money?—That is about it.

2093. That is about it, is it not?—Yes.

2094. Then you commenced selling at once?—No.

2095. When did you commence selling?—When the Company was formed several of my friends who had heard of it, and thought it was a very fine business, wanted to have shares in it. I never offered the shares for sale. They always asked me for them.

2096. They always asked and you were good enough to give them?—Yes; some I gave away for nothing to friends.

2097. Nothing; the shares?—Yes. I did not value them at much at that time.

2098. For instance, we will take your account here; what was the date of the registration of the company?—July.

2099. And you got the shares in August, I think?—In August.

2100. In September I think you transferred to George Frederick Heenan 50 shares?—Yes.

2101. Did you give them to him?—Yes, as a present.

2102. Richard Drake, a present?—No, there were a hundred shares of .5 £. and 200 of the others which he took, paying at the rate of the 5 £. shares.

2103. Arthur Bonner-Maurice?—He paid for his hundred.

2104. Christian Alhusen, 1,000?—He paid.

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2105. What

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2105. What did he pay?—£. 9.

2106. Then you sold them?—Yes.

2107. You say you were giving away some?—If you go on further you will find a good many.

2108. I do not mind whether they were given away or not; I want to get one with a price; Mr. Alhusen on the 27th September bought 1,000 shares at 9 l.?—Yes; knowing thoroughly well all about the business.

2109. Now, any other. I see each month, or almost each month, you transfer to yourself a certain number of shares, and you transfer out of your name to others a certain number of shares?—Yes.

2110. Can you explain it?—If you give me the names I will.

2111. Here are some names; if you look here at the beginning you will see what I mean. (*Handing a document to the Witness.*) There are transfers backwards and forwards?—Yes. They were adjustments most of them, I should think.

2112. What do you call adjustments?—When I was selling these shares practically, the shares for sale we pooled. The concessionnaires' shares were sold out of my name and delivered by me. Then when I paid the money to my participants, the co-concessionnaires, they transferred the shares to me.

2113. Then, in fact, they were pooled, as Mr. Evans told us?—Yes.

2114. Then you did, almost immediately after the Company was formed and you got your shares, pool the shares and sell them to the public?—No; not to the public until after the statutory meeting; all the shares sold were to friends who asked for them.

2115. What was the date of the statutory meeting?—24th November.

2116. Twenty-fourth November; it is not very long after the 24th November that you began to sell them to the public?—Yes.

2117. And when you entered into an agreement with Mr. Evans?—Yes; after the statutory meeting Mr. Evans came to me and said, "Will you sell any of your Deccan shares?" He said, "There is a demand sprung up for them." I said, "Well, what will you give me for them?" "Oh, 9 l.," I think he said. I said, "No, I will not sell them under par." He said, "If I can get you par, will you give me a good commission?" I said, "No, I will not enter into it at all." I said, "I do not believe you can sell the shares at all." He said, "If I make you a bid?" I said, "Make a bid, if you like." He came the same day and bid me for 2,000 shares, I think it was; I forget the exact price now; but he bid me for those shares. I was very much surprised. No one more astonished than I was. He said there was a regular great demand for them sprung up.

2118. And you gave him?—And I gave him his commission for selling.

2119. You gave him 10 s. a share?—I gave him 10 s. a share on condition that I should not sell any under par.

2120. Now, will you be good enough to look at this (*handing a document to the Witness*); you have seen it?—Yes.

2121. You have seen it before;—Yes.

2122. Mr. Evans told us that this was lying about in your office in manuscript?—Not exactly "lying about." That would infer that it was put about purposely. This business was considered a very big business, this Deccan, and it seemed to take people's fancy very much, and several of my friends asked me about it. Well, to explain a thing to one and another is not a very easy matter, so I just drafted that out and had it printed, and when any of my friends came in and asked me, I said, "Here is the business."

2123. But how did it take the fancy of all those people before they knew anything about it?—They had heard it talked about. It was general talk.

2124. It was the general talk that it was a good thing?—A very good thing.

2125. So you drew out this?—So I drew out this.

2126. And you had it printed?—I had it printed.

2127. And you gave it to your friends?—No; I handed it to them to give me back, and I do not know how you got that copy.

2128. Well,

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2128. Well, I have got it; you gave it them to read, and to show their friends; I suppose they were not bound not to show anyone but their friends?—Anyone they wanted; interested in it.

2129. And they bought shares on the strength of it?—No, I do not think they did.

2130. Is not *this* a little flowery?—Not from the information I had at the time.

2131. Is not this a little in the style of a prospectus, and a very flowery prospectus to give to private friends?—No; it is a private memorandum; it is not a prospectus in any way. It was printed after the Company was formed, and after the shares were allotted.

2132. "The value of diamonds exported from the Cape during the last 10 years exceeds 40,000,000 l., and there are no reasons why the Golconda Mines, when effectively worked, should not be equally prolific;" that is 40,000,000 l., that was handed to your friends?—My friends read it.

2133. How did you arrive at that conclusion?—I got information at the time; I do not remember how.

2134. You do not remember the information?—I got it from people connected with the Cape Diamond business.

2135. Still, to sell the shares?—I was not anxious to sell them.

2136. Still you did sell?—Naturally.

2137. Now we will come to Abdul Huk's shares; when did Abdul Huk arrive in London to purchase the shares?—I think it was in May 1887.

2138. Did he come to see you at once?—Not on the share business.

2139. When did he first broach the share business to you?—I think it was on the 1st June. I was at the Alexandra Hotel. He said; "I have got a good bit of news for you, a capital thing for the Company; the Nizam's Government have decided to buy 10,000 shares in the Company, and I have promised them they shall have the shares at 12." He said: "Can you buy them?" I said, "I do not think so." He said: "I shall write you a letter requesting you to buy them," which he did.

2140. Sir *Richard Temple*.] How many shares?—10,000.

2141. Mr. *Labouchere*.] He did not say a word to you about selling his own shares then?—Never.

2142. When did he first break to you about buying his own shares?—He came down to my office the next day.

2143. June 2nd?—June 3rd that would be.

2144. June 2nd?—No; he sent me a letter on June 2nd, the next day. I informed him then that I had tried everywhere and could not buy the shares.

2145. This is the letter, is it not: "Sir,—I am instructed by the Government of His Highness the Nizam to purchase 10,000 10 l. shares of the Hyderabad (Deccan) Company, Limited"?—Yes, that is it.

2146. "As you are the agent of the Government here, I write to ask you to be so good as to arrange for the purchase of these shares at the lowest possible price, not exceeding 12 l. per share, the Government having decided to invest only 120,000 l. in these shares"?—Yes.

2147. Are you the agent of the Government?—No.

2148. Did you protest against this allegation?—I have been the agent of the Government, for instance, to get in the old shares. He used to write to me in that sense; sometimes as agent for any special thing probably, and that is his nomination.

2149. You did not protest against it; you accepted it?—There was nothing in it, so far as I could see.

2150. At any rate you accepted it. That was on June 2nd?—Yes.

2151. On June 2nd he sent to know whether you could buy those shares?—I tried everywhere about.

2152. You tried everywhere; did you send in brokers to the Stock Exchange?—I sent Mr. Evans in.

2153. You sent Mr. Evans, and he came back and said he could not buy?—He said he could not get them at 20 l. He said, I can sell them for you, but I cannot buy them.

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2154. On

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2154. On June 3rd you acknowledged the letter?—Abdul Huk came down to my office.

2155. Would this be June 3rd?—Yes, on June 3rd.

2156. He came to your office?—Yes; and he asked me what I had done. I said I could not buy the shares; that it would be a most difficult and almost impossible operation; that if I had plenty of time, and he bought 5 l. shares, with the other shares I might be able to.

2157. You said what?—I said if he would buy the 5 l. shares, on which there was a liability, with the others, that I might in time be able to get them; but I did not think it was possible to get them at anything like the price at all. The market price of the day was about 12½. He then said to me: Well, he could not disappoint his Government. He promised that they should have their shares at 12, and he should like them to have a 2-anna share in the business, which was an eighth, and he said he would sell them his own shares; that he would sell a proportion of the 5 l. and the 10 l. shares; and would I write him a letter suggesting that, so that he might justify the increased amount to his Government, and the price that he had paid.

2158. Then, as I understand, the first thing was that Abdul Huk suggested to you that he would sell his shares?—Yes.

2159. On condition that he sold a certain portion of the shares on which only 5 l. were paid up?—He gave me the orders, and said he would telegraph the transaction to his Government.

2160. He said he would?—Yes.

2161. Then he asked you to write him a letter saying that you advised it?—He asked me to write that letter, which embodied our conversation.

2162. Now, let us get to the letter; this is the letter of June 3rd?—Yes.

2163. "I beg to acknowledge receipt of your letter of yesterday's date, instructing me as agent of the Government of His Highness the Nizam to purchase 10,000 10 l. fully-paid shares of the Hyderabad (Deccan) Company (Limited); I beg to point out to you that to purchase these shares at the price you name is a most difficult and almost impossible operation, and will 'require' the greatest skill and circumspection"?—Perfectly true.

2164. At the moment you wrote that you tell us that Abdul Huk had already told you that he was prepared to sell them?—That is, what he had been in the market to get. As he was telegraphing to his Government the transaction, I considered it did not matter what I wrote him. As he would telegraph to his Government that he was selling his own shares, I did not consider it mattered.

2165. Anyhow, at the moment that you knew perfectly well that this gentleman was himself going to sell the shares, and had proposed to you the price, you wrote to him a letter to say, "I beg to point out to you that to purchase these shares at the price you name is a difficult and almost impossible operation"?—Yes; from my previous conversations—

2166. Well; we have not the conversations here, "and will require the greatest skill and circumspection"?—So it would.

2167. Now you say: "I would suggest that the Government should acquire a proportion of the 5 l. paid shares at the same *pro rata* price, say 7 l. per share, as the 5 l. paid shares carry the same dividend as the 10 l. paid, and by this the Government could acquire, say 8,750 10 l. paid shares, and 3,750 5 l. paid shares, thus having," &c.?—Yes; that made the exact eighth.

2168. And the 3,750 5 l. shares are precisely the number that Abdul Huk had?—Yes.

2169. And it was Abdul Huk himself who had suggested this to you?—No.

Sir Horace Davey.] Oh, no? the other way, Sir.

Mr. Littler.] No; the other way, Sir.

Chairman.] Mr. Littler, we must ask you not to interfere.

2170. Mr. Labouchere.] Abdul Huk had suggested to you that he should sell some of the 5 l. shares?—I suggested to him first that the only way to acquire such

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such a quantity would be to buy a proportion of the 5 l. shares, and he asked me then to embody that in my letter to him.

2171. That was in the market?—That was in the market.

2172. But he also told you he would sell his 3,750?—He said, "as you cannot buy the shares in the market, and as I will not disappoint my Government, I will sell them my shares at 12," which was a full half per cent. under the market price, and at which it was absolutely certain those shares could have been sold in the market, and that he could have sold those shares in the market at that price, or a better one.

2173. That you say?—Yes; he could have done it.

2174. You say so?—We can bring evidence to prove it.

2175. At any rate you say he did propose to you that instead of selling 10,000 fully paid-up shares he should sell 8,750 fully paid-up, and 3,750 5 l. paid?—He made up the proportions himself.

2176. Then you suggested to him?—He asked me to write in that form.

2177. Then this letter was a "blind"?—No; he wanted it, I take it, to justify, as he told me, the increased number of shares and the price.

2178. Well, it did not convey (to anyone who read it) to his Government any idea of what was going on?—He informed me he telegraphed to his Government.

2179. The letter itself, without the telegram, did not convey it?—They have curious ways in the East which I cannot explain.

2180. And do you think, with the curious ways of the East, they would come to the conclusion, from reading this letter, that it was not Abdul Huk who proposed to you to sell his shares; and that they were not Abdul Huk's shares?—No, I do not say that. When he telegraphed to his Government the transaction (so far as I was concerned, Abdul Huk was the Government), I assured myself he had got the money to pay for the shares; and if he had said it was the Emperor of Timbuctoo I do not know that it would matter much to me.

2181. You wanted to make things comfortable to him, and you wrote this little correspondence?—It did not matter much to me, as he was the Government, and had the money to pay for the shares.

2182. And he wrote back to you, did not he?—He wrote back instructing me to do it.

2183. To buy them as agent of the Government?—Yes: well, he put that in himself.

2184. Did these two letters take place in your office?—Yes.

2185. They did not go through the Post Office, or anything of that kind?—No.

2186. They were exchanged over the table?—They were written there.

2187. Then he telegraphed to his Government?—Yes; I never saw that telegram. If I had known what it was, I should not have written the letters.

2188. You told Evans to buy them?—Yes.

2189. Why did not you there say to Abdul Huk, "Now although a very large amount, it is a very simple thing; your Government does not object to your having it; your Government knows it; hand over your shares to me"?—Because I always like a large transaction where money and shares are passed to go through the Stock Exchange. Then there is a record of it outside my office.

2190. Money would be passed?—There would be an independent record of it in that way, and it was much better. In fact, any big business I always pass through the Stock Exchange; always; it is a rule I make.

2191. A very good rule. This "passing" cost the Government 526 l. in stamps?—Yes.

2192. Three hundred and twelve pounds in brokerage?—Yes.

2193. And you charge 661 l. yourself for carrying it out?—Yes; my commission.

2194. Your commission of a-half per cent.?—Yes.

2195. You would not have had a commission if Abdul Huk had simply said to his Government, "here are the shares"?—That is the more reason why I should do it in the way I did; to get the commission.

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2196. You did it to get the commission?—And I did get the commission.

2197. You were the agent of the Government?—He called me the agent of the Government for this purpose.

2198. You did not accept it?—Well—

2199. Do I understand you to say that you carried out this arrangement in this way in order to get 661 l.?—No, not exactly; but in any transaction of that sort when money and shares are passing, you have a certain amount of liability. Suppose the shares or the money had been lost. It was a fair thing to do in this way.

2200. You say you got this 661 l. in consequence of the risk that the shares might have been lost?—Yes.

2201. Where were the shares?—They were passing through the market.

2202. They were in the Bank; who was it you were afraid of; was Evans the man you distrusted?—You do not distrust necessarily.

2203. Was it Messrs. Cazenove: where you afraid that they would rob them?—No.

2204. Because the shares could not disappear?—It was a fair commission for buying the shares.

2205. It was a fair commission; you made the business yourself; you see it was perfectly unnecessary?—In my view. I always like a big transaction to go through the Stock Exchange.

2206. Do you mean to tell me that besides that it was not intended to conceal the fact that those were Abdul Huk's shares?—I considered that he did not wish the public at large to know that he was selling his shares; but I believe thoroughly that he did not wish to conceal the fact from his own Government.

2207. How did the public at large know about the shares?—The shares were deposited at the Chartered Bank of India publicly in his name.

2208. With a blank transfer?—And the shares to bearer; in his name, and for his account.

2209. And do you mean to say that if a person deposits shares in a bank the general public know of that?—You do not tell the general public the shares you have bought. You do not advertize them.

2210. Then the general public did not know that he had the shares; they knew nothing about it?—No.

2211. You had no reason to suppose that the Government knew he had the shares, had you?—I had every reason to suppose the Government knew he had shares; that he had a participation in the business.

2212. Did you tell the Government?—No; why should I?

2213. Did you tell the Government after the thing was formed?—No; I never told the Government.

2214. Did he tell them so?—Yes.

2215. *Chairman.*] I have really nothing to ask you about the railway, but there has been a newspaper sent to me; just look at *that*; you will see a copy of a telegram dated October 1881, which purports to be a telegram from Mr. Winter to you; I do not know whether that is authentic; it is due to you to ask you whether that is authentic, and if so to hand it in (*handing a document to the Witness*)?—I cannot tell you.

2216. Let me just read that to you, if you please?—I really cannot tell you whether it is authentic or not.

2217. Someone has sent it to me anonymously from a Bombay newspaper; of course, what appears here will not affect my judgment at all; I want it from you: what is stated here is that Mr. Watson's share in the scheme was valued by Mr. Winter himself at 400,000 l., as the following telegram shows, "Bombay, 20th October 1881. Winter, Bombay, to Watson, London. Must put through; worth to you 400,000 l.; trust me"?—I have no recollection of it at the moment.

2218. Looking at the date of the 20th October 1881, if that telegram was sent to you, to what do you say it would refer?—If it were sent to me?

2219. Yes?—I do not, first of all, recollect a telegram in October 1881. I do

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do not think I had heard of this business. I think it was in November 1881 or December when I heard of it. I am not sure of that.

2220. I think you are wrong. We have here in this book referred to on page 3, "On or about the 19th October 1881" (and this which I have read to you is the the 20th of October) "Barnet telegraphed to Watson in London through Winter"?—I never had the telegram that I know of.

2221. One moment, "Proposed Hyderabad existing line 2,000,000 l., new line 363 miles to Chanda; estimated 2,100,000 l. Commission to be paid here for concession to be secured by accepted drafts at six months' date, not negotiable if scheme falls through. Promotion money covers this; secured your share mining monopoly; entire State. See Russell, Hanover Club; Barnett recommends." Does that refresh your memory at all?—Yes; that must have been in November.

2222. No, that is October 19th?—But very curiously I did not get those telegrams until some time afterwards. They went to a John Watson in London.

2223. That is not the point at all. The point is that Mr. Winter was telegraphing to you; that date is given there, October 19th?—Yes.

2224. This telegram which I have read to you is dated October 20th 1881, "Winter, Bombay, to Watson, London, must put through, worth about 400,000 l.; trust me"?—I do not recollect that.

2225. Allow me to ask you a question; would that, as far as you can read it now, refer to the mining monopoly?—I should think so.

2226. Then this scheme was floated as early as 1881 according to this telegram, in Mr. Winter's mind?—Yes.

2227. And he was to obtain for you, if he could, 400,000 l.?—Probably, if that is correct, while I cannot recollect at the moment.

2228. Mr. Winter was acting as your agent in Bombay?—Yes.

2229. Did Mr. Winter communicated to you, he being your agent, what he was doing?—Very casually. We left it entirely to him. In fact I thought that the Government having got the railway through, were rather fooling us, I may say, about the mining business, and did not intend to give it. I left it alone to him entirely.

2230. He was acting as your agent?—He had a power of attorney from us.

2231. Did you learn from Mr. Winter that he as your agent had submitted to the Government that the first issue of shares should be for a certain sum?—No.

2232. When did you first learn that he had been submitting that there should be a first issue of shares?—Only when I saw the Parliamentary Blue Book in September 1887.

2233. Never before?—Never before.

2234. Then tell me this, if you please, which I think the Committee want information from you upon. The capital of this Company, according to that document, is 1,000,000 l.?—Yes.

2235. Who fixed that sum of 1,000,000 l.?—We ourselves fixed it.

2236. Who do you mean by "We"?—The concessionnaires.

2237. Give me the names of the persons who fixed the 1,000,000 l.?—Mr. Stewart and myself and Mr. Sharp; no, not Mr. Sharp, Mr. Stewart and myself, the concessionnaires.

2238. Who fixed it at 1,000,000 l.?—I believe we did.

2239. Of which a sum of 150,000 l. was to be paid up?—Yes.

2240. Just tell me this please, 150,000 l. was to be paid up?—Yes.

2241. What was to become of the other 850,000 l. of capital?—It was to be paid to us as the value of the concession in paper.

2242. To be paid to you, the concessionnaires?—Yes.

2243. Why do you say the Government agreed to fix 850,000 l. to be paid to you?—I had nothing before me but the deed of concession which had been approved by the Government and the Government of India, and there it was clear according to my reading that we were granted this mining concession on condition that we found and paid up 180,000 l., which was considered enough for the business; that we paid the Government their prospecting fee (which was never anticipated in my original proposal) of half a lac of rupees a

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year, and that we paid for the royalties as we worked the business, and what we did with the rest was to be entirely our own business to do as we liked with.

2244. If you could sell these shares to the public at par you would get 850,000*l.*—Yes.

2245. Did any human being ever make any estimate of the value of the railway, or the value of your services, so as to arrive at 850,000 *l.*, if obtained as being the fair equivalent of those services?—Yes.

2246. Who?—Of the services?

2247. Of what you say; was your consideration for 850,000 *l.*—The consideration was working this in addition to the service I had rendered to the Government in floating their railway, and getting them the enormous price for it that I did, and also developing and opening out the country and providing the capital.

2248. With 150,000 *l.*?—With 150,000 *l.*

2249. Can you give to the Committee any trace of any inquiry, or any discussion, first as to the value of what you were doing, and next as to the fact that you were to take 850,000 *l.* for yourselves?—I got all the information I could.

2250. Will you state to the Committee now what it is, except the deed of concession which you say points to such consideration?—There is nothing as far as I can see pointing against it.

2251. No; there is nothing pointing against it, but you are taking it; is there anything pointing to it?—The concession, I consider, was given to us to do as we liked with.

2252. I think the Committee understand, and we have the concession deed before us, and can read it; can you assist the Committee by pointing to anything in that deed, or apart from that deed, which shows that the Government contemplates that you should take 850,000 *l.* worth of shares, or that any estimate was ever made pointing to that as being a fair quantum of return to you?—The Government always informed me that it was a most valuable concession; that is to say, the *Sirdar*; that it would be worth millions to me.

2253. Who was it that did that; Abdul Huk?—He was the Government as far as I was concerned.

2254. Abdul Huk had got a quarter of it, and was finding part of the 75,000 *l.*; a fourth. I am not speaking of that person, of course. You were dealing with the Government, who bore the responsibility in this matter?—The Government was not injured, I think.

2255. I am not asking you as to injury, but whether you can give the Committee any assistance to show that any estimate of this 850,000 *l.* was made; showing first that it was a fair sum for you to have, and then secondly, beyond the concession deed is there anything showing that the Government intended you to have it?—Taking it as we did in paper, and having paid up in a big mining speculation as we might call it, 150,000 *l.*, on the chance of this paper being worth money, I think that is a fair consideration.

2255*. I did not ask you, Sir, whether you thought it fair, but how far the Hyderabad Government, or their State, or their Province of the State, who have to bear this, had been consulted by you, and I do not gather from you that you can give us any assistance beyond what you have said?—I can give the deed.

2256. I think you said nothing beyond what the Committee finds in the deed of concession, have you anything else to point out?—Generally they always informed me that if I carried through the railway section they would give me the mining concession as a reward for what it was worth.

2257. The mining concession is one thing, but if you give a concession with a capital of 1,000,000 *l.* it occurs generally that that is to be spent more or less in the interests of the State granting the concession, and you were taking 850,000 *l.*?—That was our profit.

2258. Your profit as you say was 850,000 *l.* upon an advance of 150,000 *l.* plus the railway services; now what we want to know is, did the Government ever agree to that beyond the concession deed, have you anything pointing to their

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their concurrence in that?—I think White and Borrett's first draft would show that that was the proposal, and my first proposal, would show it.

2259. We have got that before us and will carefully refer to it. Now please come to England and this transaction that we have before us. The first meeting is held on the 10th of August 1886; did you intend the English shareholders existing at that time to exercise any discretion as to your taking 850,000 *l.*—There were no shareholders but ourselves.

2260. I beg your pardon; we have them. Mr. Batten kept repeating to us that there were shareholders, Mr. Hemmerde and Mr. Milne. In substance you are right, but Mr. Batten kept telling us over and over again that there were shareholders?—We formed ourselves into a private company.

2261. There are shareholders in a private company, and Mr. Batten kept repeating to the Committee that there were shareholders. You know we have the meeting of the 10th August, Mr. Batten, Mr. Hemmerde, and Mr. Milne, they were acting as directors at that time?—Yes.

2262. They were shareholders?—Yes.

2263. Did you intend them to exercise any discretion as to giving you this 850,000 *l.* worth of shares?—No.

2264. You were claiming them as a right?—Certainly.

2265. Why did you submit to them, or do you know why it was submitted to them, that they should be any consideration in respect to these 850,000 *l.* worth of shares?—There was the formal business of forming the Company.

2266. Then we will take it clearly that no one in the country has ever exercised any discretion or protected the interest of future shareholders as to your taking this 850,000 *l.* worth of shares?—I think they are protected in every way. By our taking this 850,000 *l.* worth of shares, if the concession is worth the money, which I maintain, it is, and a great deal more; I believe now that our gold is worth alone double the money.

2267. Who was it, do you say in this country, that protected the interests of future shareholders. I do not ask for your judgment, but who was it who protected the shareholders who have bought the shares, and to see that they were getting the full value for their money?—The then directors of the Company.

2268. That is what you say, the then directors of the Company?—I do not know whether they would protect future shareholders or existing shareholders, but they protected everybody in the Company.

2269. I am sure you did not misunderstand me; you said just now that there were no shareholders but yourselves. Those are the persons you say that were to protect the future shareholders. Who selected those directors?—The concessionnaires; we did.

2270. Mr. Stewart and yourself?—Yes.

2271. Only?—Yes, practically.

2272. You selected gentlemen who were to be directors to protect the interests, as you have said, of those shareholders and future shareholders?—Yes.

2273. You selected Mr. Batton?—Yes.

2274. Yourself?—Yes.

2275. You have heard his account?—I selected him for this reason, that he had had a large experience of India, that he was very well known in India, and I thought he would be extremely useful in all our negotiations with India, of which I know nothing, or very little.

2276. Mr. Batten has had a good deal of experience in other companies too, has he not?—No, not much.

2277. There was the Borax Company, was not there?—A very good company indeed, but that is long after this.

2278. Never mind that for a moment; you found him the shares, did you not?—Yes, he was to pay me for them eventually.

2279. But he has not?—No, not yet.

2280. Mr. Hemmerde, who is he?—He is a friend of mine.

2281. And Mr. Milne?—He eventually became secretary.

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2282. Yes;

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2282. Yes; but you selected him too, did you not?—Yes.

2283. Those three persons selected by you met on the 10th August, and they approved, did they not, "the agreement between the concessionnaires, the applicants, for 15,000 shares of the Company, and the Company, being the agreement to transfer the concession to the Company was submitted, and explained and approved"?—Yes.

2284. Who explained this?—The solicitor.

2285. To these three gentlemen?—And to us too, Sir, I expect afterwards, or before we saw it.

2286. "It was resolved that the common seal of the Company be affixed thereto, in accordance with the Articles of Association, when and so soon as 5 l. per share has been paid by the allottees of the 15,000 shares to the Company's bankers; the application" (as it is called) "for the 15,000 shares by the persons described in the schedule to the above-mentioned agreement was considered, and the shares numbered 1 to 15,000 inclusive were allotted as follows: John Stewart, 5,000; Henry Parkinson Sharp, 5,000; William Clarence Watson, 4,599; Charles Albert Winter, George H. M. Batten"; 100 each to the two last named?—Yes.

2287. Are Abdul Huk's shares in this batch of 15,000?—His 5 l. shares are in Mr. Winter's name.

2288. But Mr. Winter has only the 100 here?—He had them transferred to him after.

2289. Where in this allotment of the 15,000 (representing 14,700) with the 200 of Hemmerde and Milne, and the one to Pearce, representing the 15,000, are Abdul Huk's shares?—They were in that lot.

2290. In whose name?—They were in the concessionnaires' name then.

2291. In whose names were Abdul Huk's shares when this allotment took place?—In the names of Watson, Sharp, and Stewart.

2292. I am sure you are telling us what you believe to be correct, but I understood you to say that the shares were in Winter's name just now?—Transferred to Winter afterwards.

2293. But at first they were in your name; why were they not allotted to Abdul Huk openly if you thought the Government knew it?—Because we paid the money up.

2294. Did not Abdul Huk pay the money?—No, not then.

2295. Did he ever?—Yes.

2296. Had he agreed to at this time?—I believe so. He agreed with Mr. Winter to pay it.

2297. Now we get the 15,000 shares in that way. I see at that meeting of the 10th of August, "The Secretary submitted an agreement between the Company and Messrs. Watson and Stewart, prepared in pursuance of the before mentioned agreement in relation to the 85,000 shares to be numbered 15,001 to 100,000, and to be allotted as fully paid shares to them"?—Yes.

2298. That agreement is an agreement by which the Company were to give you the 85,000 shares?—Yes.

2299. Who formed the Company at this time?—We did, the concessionnaires; a private company it was. We never went to the public; we never asked the public to subscribe a penny.

2300. Not at this time, but the shares got to the public; but now at this time, when it is said here that the secretary submitted the agreement between the Company and Messrs. Watson and Stewart, the Company were Watson, Stewart, and Sharp, substantially?—Yes.

2301. Agreeing with Watson and Stewart?—Practically.

2302. So that the agreement between Watson, Stewart, and Sharp (they being the Company) with Watson and Stewart is approved by Mr. Batten, Mr. Hammerde, and Mr. Milne, whom you had selected?—There were no other shareholders but ourselves.

2303. Agreed?—There were no other shareholders; all the shareholders in the Company approved.

2304. Yes; the shareholders were persons who were your nominees?—

We

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[Continued.]

—We actually formed ourselves into a limited liability company, a private company.

2305. I am perfectly aware of it, but I am leading up to what the public had got to bear in those shares; do you think Batten, Hemmerde and Milne, qualified by you, selected by you, the only persons there to take any part in the proceedings, approved of an agreement that you and Mr. Stewart personally had made with yourselves, Stewart and Sharp forming the company?—Practically so.

2306. Do you say that at that time these gentlemen, Mr. Batten, Mr. Hemmerde, and Mr. Milne brought any exercise of judgment or discretion to bear upon the equity or propriety of this agreement?—I think they considered it very carefully.

2307. As to its justice?—I think so.

2308. What had they to do with it; according to your account it belonged to you; you could do as you liked with it?—Yes; but they considered it strictly in accordance with our rights.

2309. I did not ask you that; if it was your right it was your right, and you were entitled to have it; but did they consider as to the fairness of any quantum or justice in the interest of any one the question of such an agreement being allowed to be made?—Yes; they looked very carefully into the value of the business and the documents which they got; the information they got from various points pointed out that this concession was fully worth the money.

2310. But if you had the right to take this without that discretion being exercised as you now represent to the Committee, why did they exercise it?—They wished it for their own judgment; to satisfy themselves.

2311. Being qualified by you, selected by you; now, sitting here without a substantial interest in the Company, what had they to do with it. It could not be done as a matter of pleasure. Why should they exercise their judgment and discretion?—That is when we were forming ourselves into a private company; we were forming ourselves and paying up all our money; I do not know that they considered that it had very much to do with them.

2312. This occurs on the 10th?—Yes.

2313. You immediately after this; at least, I think it is within a week or so; become a director of the Company?—Yes.

2314. You were not a director until this agreement was approved of?—No.

2315. Did you become a director?—Yes.

2316. Then Mr. Stewart becomes a director?—Yes.

2317. And then I see (this is the 10th) as early as the 25th, the board meeting consists of Mr. Hemmerde, whom you had selected?—Yes.

2318. Mr. Watson, Mr. Stewart, and Mr. Winter; those were the only four persons taking part in the transactions of the Company. At that board meeting I see, speaking of the 25th, important business is taking place. I presume it is the case that you personally, Mr. Watson, were the Company, in fact?—Practically.

2319. The statutory meeting took place in November 1886?—November 1886.

2320. Mr. Evans was present, and, I see, seconded the resolution approving of the report?—Yes; I do not recollect that; probably it is so.

2321. It appears on the minutes?—Yes.

2322. Now you commenced to deal?—I was bid, Sir. I did not commence to deal.

2323. A bidding being made to you, you accepted the bid?—Yes; exactly.

2324. I should call that, if you will allow me to say so, a dealing; you dealt. I have here certain dealings; I do not wish to take you through them; but I and the Committee would wish to know this fact: what was originally personally the allotment of shares to you?—Twenty-three thousand odd figures.

2325. You then proceeded to buy shares?—No; I sold.

2326. And bought?—Afterwards.

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2327. My

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2327. My question covers "afterwards." You bought and you sold:—I bought. Mr. Evans sold more shares than I wanted to sell, and I made him buy them back.

2328. Then you did buy the shares?—Afterwards.

2329. I want to get the account of this transaction upon the fact that you bought and sold?—I bought very few, but I sold a great many.

2330. I have it here from the books of the Company given; you say that you have acquired 54,152 shares and you sold 51,482; is that correct?—I do not know. It probably is; but the bulk of those shares were acquired by transfers from Mr. Stewart, Mr. Sharp, and Mr. Winter to me.

2331. Give me again, if you please, the number of shares you had allotted to you personally?—About 23,000.

2332. You now hold, and did hold at a date given to us here (which is a late date) 2,670?—It may be. I have got now 7,000 or 8,000.

2333. You may have bought since; but this is a date given to us?—Yes.

2334. Will you furnish the Committee, if you please, with a list of your transfers; how much money you made out of this transaction personally?—Yes; of what I have made personally out of the transaction?

2335. Yes?—Certainly.

2336. I presume that this document of August 1886 was framed by you for the purpose of selling your shares?—No.

2337. Do you state that?—Yes.

2338. That it was not framed for the purpose of selling shares?—Certainly.

2339. What did you frame it for?—For the information of my friends.

2340. For what purpose did you wish them to receive the information?—Several of them came in without any information at all, and wished to know about it after they had acquired shares.

2341. Never mind whether it was after or before. Was this in no way prepared for the purpose of your selling your shares?—No.

2342. Not at all?—No.

2343. Then may I ask you, do you represent to the Committee that you only wished it to fall into the hands of those who had shares, and not those who had not?—Simply those persons who were anxious to have shares in this, and who asked me for them, and those who already had shares.

2344. I call your attention to the fact when you state that to the Committee that this is dated August 1886?—Yes.

2345. How many shares had you sold before August 1886?—I had promised a good many.

2346. You say it was only to be given to those who had acquired shares; had you sold one share before August 1886?—I do not know how many I had sold.

2347. Will you be good enough to tell the Committee: you have stated to the Committee that this document dated August 1886 was printed, not for the purpose of selling shares, but for the sole purpose of giving it to those who had shares?—That is, some of those of my friends who wished to have shares.

2348. I ask you, as you say it was given to persons who had shares, is there one person you can tell the Committee who had a share before August 1886?—Yes; Mr. Bishop, I believe.

2349. Give me the transfer, please?—Not transferred to his name; but he had promised to take them.

2350. Mr. Bishop was one?—Yes.

2351. Was this printed that Mr. Bishop might read it?—He did read it.

2352. Practically all the shares that you have sold were sold since the period of this private memorandum being printed?—Yes; and that was never circulated.

2353. We know the extent to which it was printed; your counsel said there were only 30 copies printed?

Mr. Littler.] I think I said not more than 30 copies were issued.

Witness.] Twenty or 30 were given away.

2354. Chairman.]

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2354. Chairman.] Did you place a limit upon those to whom they were to be delivered or shown?—When I gave it I always said, Let me have it back.

2355. When you gave it to anyone, did you place any limit upon the persons to whom it was to be shown?—They were all personal friends, and I trusted them with it.

2356. Were any of them brokers on the Stock Exchange?—Yes; Mr. Bishop and Mr. Oakley were brokers.

2357. You gave them to brokers on the Stock Exchange in August 1886 without limiting the persons to whom they were to be shown?—I cannot say that.

2358. I asked you, and you said there was no limit?—It was given to them simply as a private memorandum.

2359. To brokers on the Stock Exchange; if you give them a private memorandum respecting a company, you do not expect them to take it home and keep it at their private residence, do you?—I did not give it them in their capacity of brokers.

2360. In what way did you give it them?—They were personal friends of mine.

2361. What did you expect these brokers to do with this statement as to this Company?—They were anxious to see what the thing was.

2362. For what purpose?—To see whether they would like to take shares in it.

2363. Stockbrokers?—Or, if any of their friends would.

2364. And customers?—I cannot say, "and customers."

2365. If friends, they were customers, probably?—Yes.

2366. We have got it that you gave it to certain brokers for the purpose of showing it to certain friends or customers to see if they were likely to take any shares; can you give the names to the Committee to whom you gave these, particularly the names of brokers on the Stock Exchange to whom you gave them?—Two only.

2367. Only two?—As far as I recollect, only two, Mr. Bishop and Mr. Oakley; and I think I gave it to Mr. Charles Stewart.

2368. We are speaking of some 20 or 30?—Yes.

2369. What became of the 20 or 30?—Some of them came back to me.

2370. We want to know what became of them when they left you and went to these stockbrokers to show to their friends and customers?—I cannot say.

2371. I want your opinion of this; it is stated here: "Capital, 1,000,000 £. in 100,000 shares of 10 £. each, 85,000 being fully paid, and 15,000 on which 5 £. per share is paid?"—Yes.

2372. May I ask you if an ordinary person, a friend or customer of a stockbroker, read that, would he from that gather that 850,000 £. had never been paid at all, but had been given to the concessionnaires as if they had been paid?—I think so. I do not think it could read in any other way to any practical man of business accustomed to it.

2373. "Accustomed" to what?—Accustomed to any statement of fully paid shares and the other shares; I do not think it would read in any other way.

2374. Surely if you put "85,000 being fully paid, and 15,000 on which 5 £. per share is paid," and the statement that the capital is a million, would that bring to any person's knowledge the fact that 850,000 £. had been given to the concessionnaires under the circumstances we hear of?—I think so.

2375. You do not agree with Mr. Batten that a person ought to make further inquiry?—No, I do not at all. I think it is apparent on the face of it. If I had seen it, and anyone had come to me with that, I should see at once to it.

2376. You would?—Yes; and any practical man of business would, I think.

2377. I presume you mean, with your knowledge?—If they came and gave me a paper like that with the reading down below, that the Company had acquired the concession, I should, at once.

2378. The Company may acquire the concession in two ways; they may acquire it by a public subscription of capital and paying over a certain amount for the concession, might they not?—Yes.

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2379. Might

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2379. Might not that "85,000 shares, being fully paid." represent that the public had subscribed it and paid it for the concession?—Then you would have the statement of how much in shares had been paid.

2380. "Eighty-five thousand being fully paid"; suppose I want to represent the transaction that the shares have been submitted to the public, that the public have taken up the shares and paid for them; and then that the concessionnaires have been paid. Would not *this* represent the transaction; *these* words?—I do not think so.

2381. Why not?—I think that that, taken with the text below, fully explains it.

2382. Excuse me, what I am upon is this: it may be that you are right, that it may have two meanings; but suppose the public had taken up the shares of the Company, and subscribed the money, and that they were allotted——?—But they were never issued.

2383. Does that appear here?—That is a private memorandum.

2384. This is to go to the persons who buy the shares; we know the number of shares now on the register?—That never went to any of them, so far as I know, except the first.

2385. You equally wanted it to tell the truth to whomever it went, did not you?—Certainly.

2386. If a person read this, might it not represent to the mind of the person reading this statement the fact that 85,000 shares had been issued to the public; that the public had paid for them, and that these concessionnaires had been paid something?—I do not think so. I should read it that those were the vendor's shares.

2387. Will you point the Committee now to any words that cause you to say that a person reading it would come to the conclusion that the public had not subscribed that money?—I think so, and this, first: "being fully paid"; and then this line here: the Company "had acquired the concession."

2388. Pardon me; suppose the public had come in and bought the shares, and paid for them on allotment, there would have been a valuation of the shares?—Then the public would have known that by the issue; and it was well known all over London that we had got the 85,000 shares on the concession.

2389. I attach importance to what you say; there would have been a public issue?—Yes.

2390. But it is possible, you know, that there may be a private subscription?—There was none in this case.

2391. Of course, every word here is in praise of the value of this property?—Naturally.

2392. And it would have the tendency, in the mind of the person reading it, to induce them to take shares, would it not?—Yes.

2393. Can you tell me, in round numbers, how many shareholders there are on the register?—About 700.

2394. About 700 persons?—Yes.

2395. What steps were taken to render the value of this mining concession to the public known except this document?—None, except the reports to the various shareholders who came in.

2396. There was Mr. Batten's speech of the 26th November?—Yes.

2397. This document?—That document did not go to the public.

2398. This document is disseminated to the public through "friends"?—Friends of mine, who happened to be stockbrokers.

2399. And for the purpose of being shown to their friends and customers, it being given by you to stockbrokers to show to their friends and customers?—They asked me to let them have it, so that they might show it to their friends to see if they would like to take any shares.

2400. That is exactly what we infer. When they came to you to ask you to let them have it, did they ask you to get it printed, or how did they know you had got it?—People came and asked me (various friends) what this business was, and they asked me, "Can you not put it out in some form and let us see what the business is, for we should like to have a share in it probably."

2401. Was

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2401. Was that after you printed this or before?—Before.

2402. Then in consequence of that you printed it?—Yes.

2403. When those friends said, "We should like to have a share," some of them being stockbrokers, you knew it would be used and shown to their friends and customers?—To those who had taken them probably, or anyone they liked to bring in.

2404. Apart from Mr. Batten's speech of 26th November and this document, how had the public learned anything as to the value of this concession?—As to the value of the concession?

2405. Yes?—From general talk about it in the City; amongst different people of what a magnificent thing this was, that we had 83,000 square miles of mining rights, and that it must be very valuable (the coals alone are very valuable), and that we had got coals, and gold, and diamonds, and they talk a good deal more than we do.

2406. That is what we have got here; that appears in this document?—You see, Sir, a thing like this, in the City of London, is very soon conveyed about from mouth to mouth.

2407. No doubt?—And in a way that is far more effective than printing or anything else. It gets talked about. People say: "You have made a lot of money." Done this, that, and the other; they talk about it all over the place, and it gets spread about.

2408. There must be some foundation for it?—Certainly.

2409. If you show this to 20 or 30 people it soon gets talked about?—Even without that being shown.

2410. But this was shown; and you have got 700 shareholders on your register?—They did not come on then.

2411. No; but they have come on by degrees?—Yes.

2412. Did you ever do more than that you have told us afterwards in the way of having taken care of the interests of the shareholders to see that they got value for their money?—I think they did.

2413. Who?—We, the directors; I am one of them.

2414. And were the concessionnaires themselves offer shares in private?—Yes.

2415. So what I understand is: that you selling your shares, felt it your duty to see that the buyers got value for their money?—Yes, and I think they did.

2416. No one else protected them?—No; and I think we have protected them, and continued to do so.

2417. There was no one else to protect them but yourselves?—And other directors.

2418. Other concessionnaires?—The concessionnaires and directors.

2419. Mr. Baker you have spoken of?—And the present directors.

2420. Mr. Watson, Mr. Steward, Mr. Winter, and Mr. Sharp, all directors?—Yes.

2421. Then the other three, Mr. Batten, Mr. Hemmerde, and Mr. Milne?—Yes.

2422. Did Mr. Hemmerde and Mr. Milne resign?—Yes.

2423. So that then there was nobody but the concessionnaires and Batten left?—But others came on. Lord Lawrence came on.

2424. That is after the purchase by Abdul Huk?—Yes.

2425. When Mr. Hemmerde and Mr. Milne resigned there was no one but the three concessionnaires and Mr. Winter?—Yes.

2426. Just one question about Abdul Huk's shares, please, and then I have done with you. Did you ever ask Abdul Huk if he had informed his Government that he was selling his own shares?—He volunteered it to me. He said as the Government cannot get these shares I am extremely anxious they shall not be disappointed; and I shall telegraph to them this transaction.

2427. "Transaction" is one thing; did he tell you he would telegraph that he was selling his own shares?—Yes.

2428. Did you believe him?—Yes.

2429. As a man of business, did you believe he would tell the Government?—I believed

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—I believed he would tell certain members of the Government in Hyderabad; the Government, in fact.

2430. Do you mean that you believed he would make this appear as an honourable transaction; and that he was not ashamed of selling his own shares?

—Yes, I did.

2431. Then why should he conceal it from anyone?—I do not know why he should, or what the arrangements were.

2432. Was he concealing it from anyone?—I do not know.

2433. Did you understand that he was to conceal it from any members of the Hyderabad Government or not?—No, not from any members of the Hyderabad Government.

2434. He was to tell them all?—Tell the Government not to tell the outside public; but to tell the Government.

2435. All the Hyderabad Government, the Nizam and all were to know?—Yes.

2436. If he told them, why should not the outside public know; why not?—Probably the Government did not wish the outside public to know he had them.

2437. Was that your view at the time that the Government knew that he had the shares, and would not object to his selling to them his own shares at a price you together with him fixed; did you believe that, and yet that the Government would not wish the public to know of that transaction?—That was my impression. Of course, looking at it now is looking at it from a very different point of view to looking at it as it was then.

2438. What is the difference?—I know now that he did not tell the Government, at all events so far as I can see.

2439. That is quite true and quite correct. These letters you wrote in your office on the 3rd of June were all to be sent home to his Government, were they not?—I do not know what he was going to do with them. He wanted the one letter I wrote him to justify the quantity and the price.

2440. Are you quite correct in saying that you did not know what he wanted them for?—He informed me that he wanted them for that purpose, that is to say, the letter I wrote.

2441. What purpose?—The purpose of justifying his selling his shares, the extra quantity and the price.

2442. That was to be shown to his Government?—Yes.

2443. He did not want them to show to anyone else?—No, not that I am aware of.

2444. You know these letters were to be submitted to his Government. Will you tell the Committee any word in those letters that would indicate to the Government that Abdul Huk was selling his own shares?—No, probably there is not any, but as he said he would telegraph it I did not consider it of importance.

2445. As you know these letters were to be seen by his Government did not you think anyone reading them would come to the conclusion that he had bought them in the market?—Probably they might.

2446. In justice to yourself, pray give us any explanation, if you can; want to read to you your own letter. The honourable Member for Northampton has asked you, but I ask you again, please; this is your own letter: "I beg to point out to you that to purchase these shares at the price you name is a most difficult and almost impossible operation, and will require the greatest skill and circumspection;" that supposes a market?—Yes.

2447. You knew you were not going on the market at all, but that Abdul Huk was going to Abdul Huk?—Abdul Huk was selling his own shares to the Government.

2448. And you were Abdul Huk's agent?—He represented the Government to me.

2449. In the purchase you were the agent, charging a commission for the work?—Yes.

2450. Then you were his agent?—I do not know whether I was his agent.

2451. You

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2451. You acted upon his instructions then?—Yes.

2452. You acting upon the instructions of Abdul Huk went to Abdul Huk and got 12,000 shares?—Yes.

2453. Do you think this would represent to the public, at least to the Government, that that was the transaction, "I beg to point out to you that to purchase these shares at the price you name is a most difficult and almost impossible operation, and will require the greatest skill and circumspection. I would suggest that the Government should acquire a proportion of the 5*l.* paid shares at the same *pro rata* price, say 7 *l.* per share, as the 5 *l.* paid shares carry the same dividend as the 10 *l.* paid, and by this the Government could acquire say, 8,750 10 *l.* paid shares and 3,750 5 *l.* paid shares, thus having 12,500 shares for 131,250 *l.*, being an addition of 25,000 shares at an extra cost of 11,250 *l.* only. Please be kind enough to send me your instructions on this point." You extended the 100,000 to 12,500?—Yes.

2454. You then say, this is a matter of so much difficulty that if I am to do it I think you had better acquire 8,750 of the one kind and 3,750 of the other;—Unless he had informed the Government they were his own, and I know now he did not.

2455. You never saw any telegram to his Government?—I never saw any telegram or instructions. He never showed me any, I never saw his telegram.

2456. Why did you increase the shares from 10,000 to 12,500?—He increased it.

2457. Pardon me, you wrote the letter advising him to do it?—At his suggestion.

2458. But you are a man of business?—Yes.

2459. Was this intended to be *bona fide* advice or not?—I talked to him in the morning when he came down, and suggested that, if they wanted to get the shares, they should buy 5 *l.* as well as 10 *l.* shares.

2460. Was this written before you knew the shares were to come from Abdul Huk or not?—Yes.

2461. Then if you knew the shares were to come from Abdul Huk, he could have given you any shares he liked?—Yes.

2462. Up to the extent of his holding?—Yes.

2463. What was the good of going through this form?—He asked me to go through it.

2464. What for?—To justify the quantity and the price.

2465. Did you learn from him why he wanted to increase the number?—To make it so that the Government should have an eighth share in the business.

2466. That does not appear here?—The amount comes out at that.

2467. It does not appear here. You wish that the Government should have one-eighth, therefore I advise you to take these. You put it on the ground of being unable to acquire the paid-up shares in the market?—The real reason.

2468. Was that the real reason, that you could not acquire fully paid-up 10 *l.* shares in the market?—We could not acquire them.

2469. Is that the reason why you gave this advice?—I wrote that at his suggestion.

2470. It goes to the Government, and they read your advice?—It was written to Abdul Huk.

2471. To send to his Government as you have told us; was that the reason you gave that advice?—The reason I gave the advice was that before I knew he was selling his shares he could not buy that quantity, as I supposed.

2472. You knew he was not going into the market for them?—No; after he wished me to write that, and I wrote it by way of recording the conversation.

2473. You knew you were not bound to go into the market to get them from Abdul Huk; if you were going into the market to get them from Abdul Huk, tell the Committee now, if you will, for what purpose did you go through the form of giving this advice?—At his request.

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2474. For

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Mr. WATSON.

[Continued.]

2474. For what purpose did you, as a man of business, do it; you do not write everything a man requests you to do; for what purpose did you do it?—I really had no purpose in it except to do what he asked me to do.

2475. I ask you; you are a man of business, answerable to others for acting in that position; you have to be answerable for what you do; he came here and asked you to go through this form, which you say did not represent the real transaction, and I want to know for what purpose did you write that beyond "being asked," you would not do it, unless for some purpose; why did you do it?—I had in my mind that it was a very good thing that the Government should have as many shares as possible.

2476. That is apart from the question; as you knew, you were not going into the market to get them, but that you were going to Abdul Huk to get them, why should you go through this farce of giving advice which would be immaterial to Abdul Huk?—All I can say is that I did it at his request.

2477. In justice to you, I give you the opportunity of explaining, if you can; do I understand that you have no answer to give the Committee, looking at the facts as we have them before us, and the fact that you wrote this purporting to be advice to go and buy, going through this form, except that Abdul Huk asked you?—I wrote that at his request for the purpose of justifying the sale of his own shares in this quantity and at that price to his Government.

2478. As you have admitted to me, looking at it now, and reading it now, there would not be a word found here about his shares?—He added to that that he would telegraph.

2479. Taken alone, as you say, the letter does not contain anything about that?—No.

2480. But you intended this to be seen by the members of the Hyderabad Government?—In addition to the telegram he was to send.

2481. Mr. Slagg.] I think, besides coal mines, it was the intention of the Company to develop other resources of the country?—Yes.

2482. Such as copper, iron, diamonds, and so on?—Yes.

2483. Do you consider that 150,000 £. of capital would be sufficient to develop all these resources?—We can issue as much more as we like; we have not crippled ourselves in any way. If we find our gold excessively valuable, we shall be able either to form sub-companies, and sell to them, or make an issue of preference shares or debentures. As long as we have the value to give for the money we can issue any amount; millions. We are not crippled in any way; that money is quite sufficient for developing Singareni and the prospecting we are doing.

2484. You have spent 73,000 £., have not you, already?—Yes, about.

2485. So that this development of the whole natural resources of the country is represented by the balance of 77,000 £.?—£. 88,000 we have in hand.

2486. But do you consider that that would be sufficient to carry on a large mineral business?—All our prospecting; then when we prove that we have the value, we can raise as much money as we want.

2487. You would have to find additional capital, then?—By the issue of preference shares.

2488. Over and above the million nominal capital?—Yes.

2489. Then if you discovered new minerals you would at once have to begin to raise additional capital, although the nominal capital of the Company is 1,000,000 £.?—We can sell to sub-companies. We can form sub-companies, as we probably shall, with the gold, and sell to them.

2490. But you have to go to the public for more money?—Exactly; it will take millions to develop the Hyderabad State.

2491. Then this 150,000 is a mere bagatelle?—So would the million be.

2492. Was not the Hyderabad Government under the impression, in giving you authority to start a company with a million of capital, that they were dealing with that million as being sufficient to develop the country?—I do not think so. There was a power put in enabling us to sub-let on lease.

2493. Then why did they give authority to raise a million of capital, if it was not for that object?—Their object was to reward us.

2494. And

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[Continued.]

2494. And that was the object of raising a million capital, to reward you?—After we had provided sufficient for working the business our view was that 150,000 £. was enough to develop and work the business and prospect, and then to sell and sub-let to other companies.

2495. Then it really comes to this, that of this present nominal capital of the Company 1,000,000 £. you receive a present of 850,000 £. for your services in raising 150,000 £.?—No, we got the concession. The Nizam's Government granted us the concession; they did not give us a present of 850,000 £.

2496. And the position of that concession is, as I have stated, you receive a present of 850,000 £. for your services in raising 150,000 £.?—No, we do not receive a present, if you put it in that way. The "present" was the concession which we provided sufficient money to work and pay royalties.

2497. You may call it any name you like, but it was a bonus representing that amount in cash?—Yes, which turned to cash.

2498. That was capable of being turned into cash; but I think you said also there was another consideration besides your services in raising 150,000 £.; namely your services in relation to the Railway Company?—Yes.

2499. The public, however, knew nothing about those?—Oh yes, it was generally known.

2500. Not to shareholders?—Oh yes, it was generally known, and very generally known.

2501. You got a distinct promise, as I understand you to say, of this concession of the mining scheme on account of your services to the railway?—Yes, that was what the Government promised me, if I put through the railway scheme they would give me an absolute mining concession; instead of giving an absolute concession all through the country, they gave me a prospecting concession for five years, and to select and work that, and after that everything is returned to them. This is not a mining concession for 99 years of the whole state, it is simply a prospecting concession for five years. During that time we have to prospect and decide what we will take up and work, and we take it up and work it. So here we have distinctly got the coal and the gold; that is what we have certain at the present moment.

2502. Have you got any gold yet?—Yes, that is quite certain.

2503. Have you sold any?—It is only within the last two months we have got it.

2504. You have only just heard of it?—That is so; the detailed reports will be in directly.

2505. Did Sir Salar Jung, in your opinion, take the view that this mining consideration was a consideration on account of your services to the railway company?—Yes, and no doubt a consideration also that we should develop the State and that they should get handsome royalties. The Government may make millions out of this if we work on. They get a very large royalty on the coal, and the royalties of the other things are to be fixed by a board of arbitration, and they may fix them at a very high rate, probably. The coal already, we find, is at a very high royalty.

2506. But that seems to be inconsistent with what Sir Salar Jung wrote to W. J. Cunningham on the 14th of January 1885?—We knew nothing of that.

2507. You knew nothing of that?—No; I never saw it until I saw it in the Parliamentary Book.

2508. You never knew that he wrote: "As distinct sanction to the granting of a general acceptance was not given by His Highness's Government, the Sirdar considered that it was out of his power to give such an acceptance in writing"?—No, not until I saw it afterwards. Which is the letter you refer to there, Sir?

2506. This is the letter written by Sir Salar Jung to Mr. Cunningham on the 14th January 1885?—That is published in the Parliamentary Returns.

2510. Yes?—That is when I saw it, but not before; that is a year after the Company was formed.

2511. Then it appears that Sir Salar Jung's opinion as to your services in the railway were totally different to yours?—No; if you look you will see in another he said owing to the services I had rendered he had given us the concession when he could have got more favourable terms from others.

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2512. He

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[Continued.]

2512. He says here distinctly no such acceptance can be given; did Abdul Huk take the same view as you that it was right to receive 850,000 *l.* for the purpose of raising 150,000 *l.*?—Yes; this was a big mining speculation; you may take it as you like. We paid up 150,000 *l.* on the chance of its turning out a good thing. If it turned out bad, the coal to be rubbish, and the diamonds a myth, we should have lost 150,000 *l.*, and should not have had this inquiry probably, but it turned out better, and so much the better for us.

2513. There is very much in prospect, I have no doubt, but as the cash aspect of the case stands between the Company and the concessionnaires, your share of the 1,000,000 *l.* was 850,000 *l.*?—Yes.

2514. The public share was only 150,000 *l.*?—Yes, which we paid up ourselves.

2515. You paid it, and Abdul Huk took that view of the situation from the beginning, that these would be the respective proportions?—Yes.

2516. In your opinion, did the Government of India, and did the Secretary of State for India in this country, and did the Nizam's Government all take the same view that you ought to have 850,000 *l.* for raising 150,000 *l.*?—I cannot say what view they took; all I know is that we had nothing whatever to do with making that deed of concession. It was made by the Nizam's Government in conjunction with the Government of India in India, and they had a year over it. The Secretary of State had it here from February to July; they had several months with all their advisers, and it was handed to us to accept or reject, and we accepted it.

2517. I think we know the history of the documents, but I want to know the impression that exists in your mind as to what these authorities thought; do you consider from the very initiation of this thing that those authorities were of opinion that you were to have 850,000 *l.* worth of shares out of the 1,000,000 *l.* capital?—I do not know what their opinion was at the time. Evidently they thought that if we paid up the 150,000 *l.* it was quite enough to work the business, and what we did with the rest was our own profit. That is what we should read it as.

2518. That is what you considered?—I should certainly.

2519. And that the Government of India sanctioned the concession with that impression in their minds?—This 850,000 *l.* might have been 850 *l.*

Mr. Pember.] Or 8,000,000 *l.*

2520. Mr. Slagg.] Can you point to any document, writing, or telegram of any description which leads you to that conclusion?—The document itself that we should provide 150,000 *l.*, and that the million of capital was raised for the purpose of acquiring the rights, amongst other things, the rights of concessionnaires. We were to be paid something for our concession; it was not fixed; there was no limit of what we should get for it.

2521. Do you read that as stated on the face of the contract?—Yes; I do.

2522. That you were to make 850,000 *l.* out of the 1,000,000 *l.*?—Yes.

2523. And that the Indian Government were of that opinion?—I do not see how they could be otherwise when they made the document and handed it to us.

2524. But you do not suppose they hold any other view?—No, I have no reason to suppose what view they hold.

2525. Mr. McLagan.] Supposing a prospectus has been issued of a company in which it was stated that the capital was 100,000 shares of 10 *l.* each, and the first issue of that was 15,000 shares, would you not suppose that the rest of it was to be issued, or that there was to be a second issue?—But there was no first issue mentioned in any of those documents.

2526. It is mentioned?—Not in our deed.

2527. It has been mentioned by Mr. Winter?—I never heard of it until 12 months after this Company was formed.

2528. Still, Mr. Winter had to do with it?—I never heard of it until after I had seen the Parliamentary book; a year after the Company was formed.

2529. Was not Mr. Winter one of the shareholders?—Yes.

2530. Was he one of the directors?—Not then.

2531. But

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[Continued.]

2531. But at all events he acknowledged that that first issue was spoken of in the negotiations?—He stated on Tuesday that it was an inadvertance; that he did not know what the meaning of it was practically. Supposing we had come to issue, and that we had made a first issue. In those documents, reading them through, you will find it is not less than 150,000 *l.* It does not say we shall not make it 1,000,000 *l.* If there is an issue to-day, what is to stop us making another issue to-morrow? We might have issued a million the next day for the purpose of buying the concession.

2532. In this prospectus it is stated —?—That is not a prospectus, Sir.

2533. Whatever you call it?—It is a private memorandum.

2534. Well; a private memorandum; issued to about 20 or 30 people. You stated that there were 80,000 shares fully paid-up, and 15,000 on which 5 *l.* was paid; it is quite usual to put that, is it?—I think so.

2535. When you put that in a prospectus, is it not general to put also that the fully paid-up shares are given to concessionnaires or to vendors?—If I had issued a prospectus, I should have put in that the Company has acquired the concession for 85,000 shares.

2536. But that is not here?—No; it is not a prospectus.

2537. But it was issued as a prospectus?—No.

2538. Do you say no shares were bought upon this?—No. I do not think so. I do not know one.

2539. I understand some stockbrokers got it?—

Mr. Littler.] I venture to say, Sir, not only has no one come to us and bought on that, but no one ever did buy upon it; and at the present moment I invite publicly any person to come here, and say he is aggrieved by having purchased a share on that or any other publication; no human being has come here to complain; and I invite them publicly to come here and complain, if they can.

Witness.] No one bought a share of me upon it. I said, this is a rich man's business, not a poor man's. Your money will be locked up for some time. We think it will be a good speculation, but it may turn out to be a bad one; therefore, do not go into it unless you can afford to wait and to lose your money.

2540. Mr. Labouchere.] You do not say that in the prospectus?—No. Anyone who came to ask me must tell you exactly the same thing.

2541. Sir Richard Temple.] But gold is alluded to in this paper?—Yes.

2542. Have any subsequent reports been received?—Yes, about a month ago. You have got them handed in here; you have the reports.

2543. Where?—

Sir Horace Davey.] The Chairman declined to accept them.

Mr. Pember.] The Chairman said they had better wait for a time. I had them, if you remember, the last time we met. The Chairmen said he thought they had better be delayed.

Mr. Solicitor General for Scotland.] Do you mean this document?

Mr. Pember.] Yes.

Mr. Solicitor General for Scotland.] What are they?

Mr. Pember.] Copies of documents received.

Mr. Solicitor General for Scotland.] Surely it is the right of the Witness to refer to any document.

Mr. Pember.] I have no objection; only the honourable Member, Sir Richard Temple, was under the impression that the documents had been handed in; but they have not been.

Mr. Solicitor General for Scotland.] I think you are quite right, Mr. Pember.

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Pember, as regards that, but there is no reason why these should not go in.

Mr. Pember.] No; the sooner they go in the better I shall be pleased.

Mr. Littler.] I propose on behalf of Mr. Watson to tender not only those, but a number of others.

2544. Sir Richard Temple.] I must submit to this Committee, Sir, that it is not in order for counsel to interrupt a member of this Committee while he is carrying on a cross-examination. I am not under any impression at all. I asked the witness this question: "Gold is alluded to in this paper," have any subsequent reports been received?—Yes.

2545. You say they have?—Yes.

2546. The Witness says they have; and he draws my attention to a report on page 31; is *this* the only report received?—There are several of them. You will see "gold." If you will allow me, Sir, I will point it out to you.

2547. There is only one other there?—There are more here. That begins "Gold Reports." That goes from here down to there. That is a letter to which I pointed in which they got 550 square miles.

2548. Where are these so-called auriferous rocks?—In Raichore, above the Mysore district.

2549. Has any gold yet been obtained from those rocks?—Yes; and further gold is visible, as you see from those reports.

2550. Have any specimens been sent to this country?—Mr. Hughes brought one home with him when he was here last year. The prospecting there was vigorously gone on with.

2551. Have those rocks been tested?—Yes.

2552. By whom?—By these gentlemen who are reporting.

2553. By Mr. Hughes?—And you will find other gentlemen there whose names I do not recollect for the moment.

2554. What is Mr. Hughes?—He is Deputy Superintendent of the Geological Survey of the Government of India, lent to us by the Government of India for this prospecting business.

2555. In this paper it is stated thus: "The value of diamonds exported from the Cape during the last ten years exceeds 40,000,000 £, and there are no reasons why the Golconda mines when effectively worked should not be equally prolific"?—Yes.

2556. Will you give the Committee in the briefest terms the grounds on which you make that statement?—That statement was taken from Tavernier's books and other reports.

2557. From whose books do you say?—From Tavernier, the great traveller of the Golconda district. You will find it in Ball's Geology of India.

2558. A quotation from Tavernier's book?—Quotations from Tavernier; and since then our expert in the Golconda district, Purtyal, has tested, and Mr. Hughes has certified, I think, or practically certified, the existence of about 40 square miles of diamondiferous strata.

2559. What is the date of Tavernier?—Sixteen hundred and something.

1560. Anno domini 1600?—Sixteen hundred and something.

1561. We may say the seventeenth century?—Yes.

2562. You allude to an expert who reports upon the diamondiferous strata; is that it?—Stratum or strata.

2563. That expert is Mr. Lowinsky, is it not?—Yes.

2564. Has Mr. Lowinsky stated that he has set eyes upon any diamond during his exploration?—He stated that some of the native washers had found diamonds in the diamond heaps, and that the clay, or blue, or the matrix, or whatever you like to call it is identical with the Kimberley, and there is no doubt in his mind whatever that this blue ground contains diamonds; as to the quality we cannot tell until we wash it, but we have new machinery out on the spot erected, and will be able to wash from 1,000 to 1,500 loads a day.

2565. Did the natives who stated that they had seen diamonds in those washings show any diamonds to Mr. Lowinsky?—Yes; he has got possession of them.

2566. Does

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[Continued.]

2566. Does he state that anywhere in those printed reports?—I think I can find it.

2567. Chairman.] How late does that go down?—To the 4th May 1888.

2568. Just look at one of 12th January 1887. I think that is the one you referred to.

Mr. Pember.] That is not the one he was alluding to, Sir. The one alluded to is on the 7th April 1888.

Chairman.] I handed the later ones back, and they were to be printed.

Mr. Pember.] They are printed here.

Witness.] If the cholera had not broken out, and our thousand men had not bolted we should probably have had diamonds put on this table. That is my impression. This is from the letter dated 7th April 1888: "Since I have been at Partial I have kept in the service of the Company two old diamond washers. They manipulate the ground in the ancient way, resorting to the old ground that had been washed many years ago, they have found altogether five small diamonds, worth, in all, about one pound ten shillings; it has cost very much more to get them, as it is the result of nearly six months' work. I have thought it best to keep them on, as even these small stones prove without any doubt that diamonds are here."

2569. Sir Richard Temple.] This blue clay to which you allude as being the matrix of the diamonds; was any specimen of that excavated by Mr. Lowinsky, or any other experts?—By Mr. Lowinsky and by Mr. Hughes, the geological surveyor.

2570. Did the specimens thus excavated disclose any diamonds?—No; it disclosed the diamondiferous strata. Diamonds are not found, I do not know much about it, but I should not think they are found like pebbles on the shore.

2571. Can a blue clay, which after excavation yields no diamonds, be properly termed a diamondiferous stratum?—I believe it is known in geology exactly what diamondiferous ground is, the nature of it; but I am not a geologist, and cannot tell you.

2572. Do you consider that the data which you have now presented to the Committee justified you in making the statement which I have extracted from this paper?—I think so, Sir. I think the result of our works so far fully justify it, and our gold far exceeds it, and our coals certainly far exceed it.

2573. Now I ask you this question again. I ask you kindly to observe the terms of your statement. "The value of diamonds exported from the Cape during the last ten years exceeds 40,000,000 £. ('sterling') and there are no reasons why the Golconda mines were effectively worked should not be equally prolific"?—Yes.

2574. Now I ask you do you mean to say that the data which you have now disclosed to the Committee justifies you in saying that there is no reason why these mines should not produced 40,000,000 £. sterling?—If the diamond is existing like that there is no reason; you may get any amount.

2575. Now I have to ask you one or two questions about the purchase. Do I understand you to say that you have sold shares (about 85,000 in number), yielding 850,000 £.?—No, I have not.

2576. How much have you sold?—I have sold of my own about 12,000.

2577. Mr. Labouchere.] The pool?—I am talking of my own.

2578. Sir Richard Temple.] Of yours about 12,000?—Twelve thousand.

2579. How many have sold altogether?—About 50,000; over 50,000, probably 55,000.

2580. For how much?—About 550,000 £. in round figures.

2581. Who are the purchasers?—The present shareholders who hold them.

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2582. Are

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[Continued.]

2582. Are those the persons mentioned in a printed list which we have?—Oh, no; they vary. There has been tremendous speculation in these shares.

2583. But the original purchasers?—Oh, no; I do not suppose one of them remains scarcely who came in originally. They sold and bought, and sold and bought, you will probably find.

2584. Does any list exist of those who have purchased?—Yes; the share-list.

2585. Does this share-list consist of persons who paid this 550,000 £.?—It would show of course; first you find a man buys a share for a speculation, probably buys it at 10; if he can, sell it at 11; he sells at once, and it may be 50 times over.

2586. Does any list exist of those persons who paid the 550,000 £.?—Yes, the share-list.

2587. The persons mentioned in that list have paid 550,000 £. in hard cash?—Yes, probably; if they bought them in the market.

2588. In money, in some shape or other?—Yes, we hope they have got good value for their money, and I think they have.

2589. What have they got for their money?—We can give evidence of the experts that they have got one of the finest coal mines in India, with an unlimited amount of coal, which will supply the whole of the railways of Southern India; the Nizam Railway, a portion of the Great Indian Peninsula Railway, the coast at Madras for steamers, and probably the Bombay mills, which take 200,000 tons a year. They have got their 550 square miles of gold-bearing country, and if you were to take the valuation of the Cape gold 50 square miles now being valued at 12,000,000 £. sterling, you may get somewhat near the value of the 550, 10 times that would be about it; but that is absurd, of course. The probable value of those gold mines may be 1,000,000 £., or one and a half millions sterling.

2590. Assuming the mines to be as you state, how is their value to be realised?—The coals; by selling the coal and getting money for it from the railways and other consumers, and the difference between the cost of raising it and the cost of sale is the profit.

2591. Is not the value of those mines to be obtained by the working of them?—Certainly.

2592. And that involves outlay of capital?—Yes.

2593. Who is to find the capital?—The Company.

2594. Your Company?—Yes.

2595. How?—By the issue of preference shares or debentures, or by sub-letting on lease or forming other companies who will raise money. There are many ways.

2596. Not from that 550,000 £. which they paid?—Oh, that is the shareholders' money.

2597. Then by forming other companies?—If we block out the gold, take a block and let it.

2598. I understand you to say by forming other companies?—By the issue of preference shares. If we prove, as we can, I believe, very shortly, within probably a month, or a very short time, the extreme value of this gold, we should not have any difficulty in issuing 500,000 £. in preference shares and working it ourselves. We could place it easily enough. If we do not do that we can block out the various quantities of claims, as they are called, and sell them for money and shares.

2599. Mr. Labouchere.] To what companies?—To other companies to be formed for the purpose of acquiring them.

2600. Sir Richard Temple.] Is that operation tantamount to raising fresh capital?—It is raising fresh capital to spend that fresh capital in the Nizam's dominions.

2601. This is tantamount to raising fresh capital?—Certainly.

2602. Is that capital to be laid out through the medium of other companies?—Directly

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—Directly or through the medium of other companies; it may be directly by this Company.

2603. By the Deccan Company?—By the Deccan Company, or through the medium of others.

2604. Now, if it is done by the Deccan Company, the interest upon that new capital will have to be paid from the proceeds of the mines?—Yes; the dividends earned would be distributed amongst the shareholders.

2605. Do you mean the new shareholders or the shareholders who paid that 550,000 £.?—If the money is raised by the existing Deccan Company and dividends are made by them, they will be distributed amongst the shareholders of the Deccan Company. If the money is raised by the Deccan Company, and the money is earned, all that money and all that interest will be distributed generally over the Deccan Company.

2606. Will the new capital be in addition to the 1,000,000 £. mentioned in the concession paper?—Yes.

2607. Was not a million stated in the concession papers as the limit of the capital?—No; it is unlimited. We might have made the capital 10,000,000 £.

Mr. Littler.] No.

2608. Sir Richard Temple.] This is the second time I have been obliged to ask that the learned gentlemen opposite will allow me to examine the Witness. They will have ample opportunity of addressing the Committee. The Witness says that there was no limit in the capital originally fixed except that it was to be, was it not, not less than a million?—Not less than a million, and not less than 150,000 £. to be subscribed.

2609. Supposing that the mines are worked through the medium of new companies, by a process of selling or sub-letting, is that so?—Yes, in many ways.

2610. In that case those new companies will have shareholders of their own, will they not?—Yes.

2611. To whom they will have to pay dividends upon their net earnings, is it not so?—Yes.

2612. Then when the mines are marked in that way, their shareholders will have a preference?—Well, it depends exactly on the terms upon which you sell. Say a company is formed with 100,000 £. to work a certain block of coal, they may either pay a royalty to the existing company, or pay half in shares, or they may come with 20,000 £. in cash and so much in shares, so that in various ways it would be raised.

2613. Will they be called upon in any way to pay interest to the persons who paid that 550,000 £. to you?—In that way they would certainly contribute to the receipts of the parent company.

2614. What, their net earnings?—No, their net earnings would be after paying the royalty, whatever that is.

2615. They would pay a royalty to you?—It may be a royalty, or it may be in any other form.

2616. That royalty would be tantamount to a price, would it not?—It would be so much a year on whatever is raised.

2617. So much a year?—Yes, an annual income.

2618. Than from that source the dividend would be paid to those who paid this 550,000 £.?—Yes. We hope that the dividend for the whole million would be within a reasonable period now raised from the sale of coals, and that the other would be an extra profit to them if we are left alone to work and our business.

2619. The dividends upon his 550,000 £. would be paid immediately from the sale of coal, did I understand you to say that?—We hope the coals will give a good dividend upon the 1,000,000 £. without any of our other properties.

2620. Did I understand you to say that the dividend upon that 550,000 £. would be paid from the coal proceeds?—What I wish to convey to you, Sir, is that our impression and our hopes are that the earnings and profits of the coal mines will be sufficient to pay a fair dividend on the whole of the 1,000,000 £. of the existing company, and that all the other properties will be profits to us.

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2621. Does

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[Continued.]

2621. Does that include this 550,000 l.?—Yes, it includes this 550,000 l. as part of the 1,000,000 l. capital acquired by the public.

2622. Do I understand from that then that the Deccan Company consider themselves liable to pay dividends on this 550,000 l.?—Yes, certainly.

2623. They do?—Certainly, when they earn them.

2624. Then the holders of the scrip representing this 550,000 l. have a claim upon the net earnings of the Company?—Yes.

2625. Upon the coal mines or any other mines?—Upon anything; upon the whole property; their participation in the property is to that extent in dividends and profits earned upon them.

2626. And do you consider yourself responsible for that arrangement?—Personally, do you mean?

2627. Yes, so far as your shares go?—No.

2628. So far as you may have sold the shares?—No, certainly not.

2629. Then if you are not responsible, who is responsible?—The Company.

2630. Then have you a share partnership in the Company?—Yes, I am a large shareholder.

2631. Then are you answerable to the extent of your shares?—I claim to the extent of my shares any profits.

2632. Do you acknowledge to the extent of your shares a responsibility to those who paid the 550,000 l.?—Certainly not, there is no liability on the shares.

2633. If there is no liability on the shares what claim will the holders of that 550,000 l. of scrip have upon the proceeds of the Company?—They will have the proportion of dividends which are earned, say, suppose we make 100,000 l. a year profit they would get 55 per cent. of it; they would get 55,000 l. a year from the Company.

2634. Then who is responsible to pay them this 55,000 l.—The Company, when they earn it.

2635. Then you are a part of the Company?—Yes, I am a shareholder.

2636. And to that extent you share the responsibility?—I share the profits to the extent of my holding.

2637. Do you also share the responsibility?—There is no responsibility as a shareholder.

2638. Is the liability to pay a certain proportion of the net earnings not a responsibility?—On the Company when they have earned it.

2639. On the Company when they have earned it?—On the directors of the Company when they have earned it. If they earn dividends you have a general meeting; you give in your accounts, you show what you can divide as dividends; it is passed at the general meeting and then it is divided amongst the shareholders.

2640. Then your responsibility commences?—Yes.

2641. Are you acquainted with the paper (*handing a document to the Witness*)?—Yes; I have seen it before.

2642. On both sides of the account you see 850,000 l.?—Yes.

2643. Does that 850,000 l. represent money?—Now it does. It represented shares at that time. That is the price of the concession paid in shares.

2644. Now it represents money?—Yes.

2645. Is that 550,000 l. included in that 850,000 l.?—And in the 150,000 l. as well. The shares are all on a level now; they are fully paid; the whole.

2646. Then according to the form of account on the left hand side that would represent the liability?—That would be the liability.

2647. And on the right hand side would be the assets?—Yes.

2648. Now the 850,000 l. on the right hand side then is an asset?—Yes; being the concession.

2649. Of what does that asset consist?—The concession; the whole of the property of the Company is comprised in that.

2650. In that asset?—Yes.

2651. What is the property of the Company?—The mining right; the Singareni coal-fields and.

2652. And the diamond?—And the diamond and the gold; and the prospecting right over the 83,000 square miles of the Nizam's dominions.

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[Continued.]

2653. Are there title deeds for that concession?—Yes; all perfect sanctioned by the Government of India.

2654. Is the value of this asset at all affected by the fact that 550,000 l. out of the 850,300 l. have been paid privately or separately to you?—Not the slightest.

2655. Then if the money has been already paid once to you, how is it to be got a second time?—I shall not ask for it a second time, or have it.

2656. Will it not be wanted for the purposes of the Company?—No.

2657. Then how is the Company to get on without it?—They have got money enough to get on in their present way, and when the property is shown to be sufficiently valuable there will be no difficulty in raising whatever money the Company wants to carry on its business, no difficulty whatever.

2658. Then do I understand that this 550,000 l. is a reward to you and certain other gentlemen with you?—It is the price that the shares sold for in the market; people bid for them.

2659. Have you not in your previous answers stated that it was of the nature of a profit to you personally and was a reward?—The concession was given as a reward for services rendered, and also with the object of developing the Nizam's dominions.

2660. Do you mean to tell the Committee that your services to the Hyderabad State were worth a reward of 550,000 l.?—I think so, and more. The Nizam's dominions, or the Deccan, was a geographical expression before I took them up. Everybody knew the Deccan existed; but now everybody knows where the Deccan is, and knows a good deal about it; and the country is being opened out with a large system of railways; the mineral resources of the country have been developed, and the population will be benefited largely by it, and the country will be enriched, the people will be enriched, and the Government will be enriched, and the royalties to the Government will be something in the days to come very excessive, very large, and increase their revenue immensely, besides doing an immense amount of good to the population.

2661. Do you mean to say that the position of July 1887 which you described in your answer to the Right honourable Chairman of the Committee is in accordance with the agreement entered into between you and the Nizam's Government, with the consent of the Government of India?—The contract we have entered into with the Nizam's Government was sanctioned by the Government of India.

2662. I must ask that question again; do you mean to tell the Committee that the position of July 1887 as described by you in your answers to the Right honourable Chairman to this Committee is in accordance with the agreement between you and the Nizam's Government, and sanctioned by the Government of India?—What position of July 1887 do you mean? do you mean the balance sheet?

2663. The position as described in your various answers to the Chairman's questions?—Do you mean the balance sheet, or what?

2664. No, I will describe what I mean. The meeting at which Mr. Batten presided the allotment, or the assignment of shares to you and others, or the permission to you and others to make use of those shares as representing a part of your profit upon the whole business; that is the situation I mean which had been described by you in various answers to the Chairman of this Committee. Do I make my meaning clear?—Yes.

2665. Now I ask you, do you mean to say that the position as described in your answers is in accordance with the agreement between you and the Government of the Nizam as sanctioned by the Government of India?—Undoubtedly so.

Chairman.] In consequence of the House sitting and requiring the presence of the Members of the Committee we will not proceed with any further evidence to-day; but the Committee now clear the room, and to the parties who are interested we may point out the course of business we shall take at the next sitting; it may be important to them. There will be no other evidence taken to-day.

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Mr. WATSON.

[Continued.]

Mr. *Littler*.] May I say one thing as you are going to decide the mode of procedure. Of course, as you appreciate, I, appearing for Mr. Watson, have a very responsible duty, and I should ask that whatever other questions are to be asked by other counsel should be asked before I examine.

Chairman.] The Committee will consider that when the time arrives.

Mr. *Littler*.] That is all I pray you to do, Sir.

The Counsel and parties were ordered to withdraw. After a short time, Counsel and parties were again called in.

Chairman.] The Committee will sit again on Tuesday next, when they wish Mr. Watson, Mr. Cordery, Mr. Fitzgerald, and Mahdi Ali to be in attendance to be examined by the Committee. There have been numerous applications to examine witnesses and from different persons represented by counsel. One application is to examine as many as 13 witnesses; at the same time the letter that makes the application, says the writer does not know what are the issues before the Committee. We could not, of course, issue as we are asked to do, Speaker's summonses for all these witnesses. The name of any witness, or any person desirous to be called, must be sent in, and a short statement of for what purpose he is required to be called; amounting almost to a *précis* of his evidence; then the Committee will determine whether the witnesses shall be called or not; that is to say, when we know for what purpose the parties desiring to call them intend to call them.

Mr. *Littler*.] I do not know whether the Committee have considered in what order they will hear counsel.

Chairman.] We have not come to that yet. We postpone all the difficulties of the case.

Tuesday, 12th June 1888.

MEMBERS PRESENT:

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.
Mr. McLagan.

Mr. Slagg.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

THE RIGHT HON. SIR HENRY JAMES, IN THE CHAIR.

Chairman.] THE Committee do not purpose themselves asking Mr. Watson any further questions at present; but the Counsel for Mr. Watson, I presume, would wish to ask some questions.

Mr. *Littler*.] Certainly, Sir; but I was going to ask this—

Chairman.] Will you excuse me, Mr. Littler, for one moment. The Committee will intimate to counsel hereafter the extent to which they think Mr. Watson should be examined, at the hands of counsel; but the Committee at present think that it will be more desirable, for many reasons, that Mr. Watson's examination should be suspended for a time; and we will now take the examination of Nawab Mahdi Ali, as he is here. That is all we have to say to you, Mr. Littler, at present. What the Committee purposes is, to ask the Nawab generally to make a general statement; and then for the counsel for the Hyderabad Government to put such questions to him as he may think necessary for obtaining the truth; and also through the Witness to produce the documents asked for by counsel for other parties.

Mr. *Littler*.] I am much obliged.

Sir *Horace Davey*.] I am much obliged to you, Sir.

Chairman.] The Committee will dispense with taking this Witness upon oath. We take him as an ordinary witness, without taking him upon oath.

NAWAB MAHDI ALI, called; and Examined through an Interpreter.

2666. Chairman (to the Interpreter).] WILL you ask the Nawab to state his position in relation to the Hyderabad Government?—He says he is Political and Financial Secretary of His Highness the Nizam's Government; and that he represents the Nizam's Government in this present case.

2667. Has he been requested by the Nizam's Government to appear before this Committee?—Yes; according to the edict which has been given to him as his authority to appear before this Committee.

2668. Does the Nawab desire to make any statement to the Committee as to the facts within his knowledge which he desires to call to the attention of the Committee affecting this Hyderabad Deccan Company?—He says the Government have sent him here for two reasons. He says if the Committee want any papers or documents that are with him that he should submit them to the Committee; and he says also to answer any questions about matters that he himself is aware of, matters within his own knowledge.

2669. What matters has the Nawab within his own knowledge affecting the Hyderabad Deccan Company?—He says that he has got all the papers with

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[Continued.]

him, whatever the Committee may ask for; but he himself knows very little about the concession.

2670. Has he any facts that he wishes on the part of the Government to call to the attention of this Committee?—He says as regards the concession itself, Sir Salar Jung, the ex-Minister, was asked as to what his own knowledge of it was, and he has sent a written reply, which is with the Nawab.

2671. Who is the ex-Minister to whom he refers?—The present Sir Salar Jung, in whose time the concession was granted.

2672. Will the Nawab produce that document, please?—Yes. (*Document produced, and handed in.*)

Chairman.] It may be well to state that the letter produced is a letter from the late Prime Minister to the present Prime Minister of Hyderabad, and is really a defence of his own conduct in the matter. The Committee do not think that such ought to be taken in evidence without the writer being here, as it deals with matters affecting himself personally; and that it would be unfair to others to have such a statement placed upon the Minutes of the Committee without their being able to deal with the Witness. Mr. Mayne, who has got the documents that the Nawab has referred to; have you them in your hand?

Mr. Mayne.] The solicitor, Sir.

Chairman.] Will you be good enough to produce any documents which have been asked for by any counsel engaged bearing upon this inquiry. The Committee will afterwards determine whether they shall go in evidence. You will produce the documents to them.

Mr. Mayne.] We will produce any documents; either the originals or the copies that we have.

Chairman.] If you think you have any questions which will produce facts which will assist the Committee, to put to this witness, the Committee will be glad that you should now put those questions.

Sir Horace Davey.] Would you allow me to suggest, Sir, that it may be for the convenience of the Committee if this gentleman were to state formally that all the documents that he has brought over he has handed to his solicitor, Mr. Whitehead, for the purpose of this examination; so that we need not trouble the gentleman to produce them, except through Mr. Whitehead.

Chairman.] It was with that object that I asked Mr. Mayne if he had them. He said he had. We have just ascertained that.

Sir Horace Davey.] I understand him to say that he has handed over all he has got.

Chairman.] Yes. There are, perhaps, many of them that will require formal proof from the witness.

Sir Horace Davey.] I thought we might relieve him of that.

2673. Mr. Mayne (to the Witness).] Did you know Mr. Hughes at Hyderabad?—No.

2674. Do you know that there was a gentleman, a Mr. Hughes, at Hyderabad in an official capacity?—Which Hughes?

2675. J. B. Hughes. He was one of the Hyderabad Resident's officials; one of Mr. Cordery's subordinates?—No, he does not know him personally.

2676. But does he know that there was a gentleman of that name there?—He says he has heard that there was one Mr. Hughes there.

2677. From your acquaintance with the official documents, do you know his writing when you see it?—No.

2678. At all events was *this* a document which was handed over to you to bring over here (*handing a document to the Witness*)?—Yes; he says this was one of the documents that he brought over; but he did not examine them minutely.

2679. But

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[Continued.]

2679. But that was handed over to him?—Yes.

2680. Is that written upon the Residency paper?—Yes.

Sir Richard Temple.] I did not understand. Does he say he recognises Mr. Hughes' handwriting?

Mr. Littler.] No.

2681. Mr. Mayne (to the Witness).] You do not know Mr. Hughes' handwriting?—No.

Mr. Mayne.] We will keep that for the present, Sir, either Mr. Fitzgerald or Mr. Cordery will be able to prove it.

Chairman.] Very well, then; you had better take that back.

Mr. Mayne.] Perhaps, Sir, there would be some way of identifying these as being the documents which he produces.

Chairman.] If you hand them to the Committee, and the Committee receive them, I will take care that there shall be identification.

2682. Mr. Mayne (to the Witness).] Now is *this* a document which was handed over to you to bring over (*handing another document to the Witness*)?—Yes.

Chairman.] Pardon me; you are asking him if that is a document, which probably it is. Are you putting these documents in, or seeking to put them in?

Mr. Mayne.] I am going to put these documents in, Sir, as soon as I am able to prove them.

Chairman.] If those you have asked about constitutes proof, had you not better put them in as you proceed?

Mr. Mayne.] Yes, Sir.

Chairman.] If this constitutes proof; I do not know that it does. Do you propose to ask Mr. Cordery or anyone who is coming further questions? Do you think that the better course?

Mr. Mayne.] Yes, Sir, I think Mahdi Ali is not able to prove that. All I can do is to show these came out of the possession of the Nizam's Government.

Chairman.] Will you take all the documents at once and put them into the Witness' hands and ask him if he brought them over. Then that bundle shall be taken and the documents shall be extracted from that for further proof; but it will be endless to take them in this way?

2683. Mr. Mayne (to the Witness).] Were you entrusted with the whole of *this* bundle of documents to bring over for the purpose of this inquiry (*handing the same to the Witness*)?—Yes.

2684. Now in 1887?—

Chairman.] One moment, please. Those must be tied together, please, and put on *this* desk. Then when you ask for these documents back your witnesses must prove them. Tie them together, please.

Mr. Littler.] Before the book goes away I look at it, Sir.

Chairman.] No; they are not proved yet. We have not seen them yet.

Wait until they are proved; they may never be any evidence at all.

2685. Mr. Mayne (to the Witness).] In 1887 I believe you were financial secretary?—Yes.

2686. And in May of 1887 was Abdul Huk over at Hyderabad?—Yes; the beginning of May 1887.

2687. Did Abdul Huk place before Colonel Marshall in your presence a memorandum relating to the purchase of some shares, 10,000 or 12,000 shares
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NAWAB MAHDI ALI.

[Continued.]

(10,000) of this Mining Company?—He says Abdul Huk placed those in his hands in Colonel Marshall's house.

2688. What position did Colonel Marshall occupy?—Secretary to His Highness and confidential adviser.

2689. Was that memorandum placed in your hands, or in Colonel Marshall's hands?—It was placed in my hands before Colonel Marshall.

2690. *Chairman.*] By whom; by Abdul Huk?—

2691. *Mr. Mayne.*] By Abdul Huk, Sir. (To the *Witness.*) And Colonel Marshall was what?—Secretary to His Highness and confidential adviser.

2692. Did you read that memorandum?—He says first he had a conversation with Abdul Huk on the subject, and he read it afterwards.

2693. Is there a translation of that memorandum appended to it, or have you got a translation?—Yes; *this* is a translation here (*referring to a document*)

Mr. Mayne.] I propose to hand in the original document, Sir, with the translation.

Chairman.] Certainly; you must verify the translation for the Committee, please.

2694. *Mr. Mayne* (to the *Witness*).] Do you know who made that translation?—He got it done in Hyderabad, in the Political Secretary's office; in his office by a translator.

Chairman.] The proper course would be to let the Interpreter, who seems perfectly competent to do so, read over the translation with the original, and then state to the Committee that it is a correct translation afterwards. Give him time to do so.

Sir Horace Davey.] I should like to have this document read.

Chairman.] You appear for Abdul Huk, do not you?

Sir Horace Davey.] Yes.

Chairman.] Perhaps it will be convenient for you to take the translation as put in *de bene esse*, and look at it, to save calling a witness hereafter?

Sir Horace Davey.] I have, as part of my instructions, what purports to be a translation of this document, and it can be compared with the translation with which we are furnished.

Chairman.] Certainly; still the technical proof we mention had better be given; but for the moment of time, Sir Horace Davey will, perhaps, take that which you say is a translation. Give the translation.

The Interpreter.] This is only a portion of the translation, because *this* translation was incorrect in one or two words. The memorandum was first written in English, and that was translated.

2695. *Chairman.*] The translation was in English?—The first was written in English.

2696. Do you know where that is?—Yes; we have got a true copy on the file

Sir Horace Davey.] I shall ask the Committee to be good enough at such stage as is convenient to them to allow that document (which, according to my view, is a very important document) to be read from beginning to end.

Chairman.] I think all you can ask is that it shall be put in before the Committee. It will be put in.

Sir Horace Davey.] If you please, Sir, I am quite ready to read my translation.

Chairman.] No, no.

Sir Horace Davey.] Perhaps you would follow it.

Chairman.]

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[Continued.]

Chairman.] No; the Committee are much obliged to you; but they wish to have it in the ordinary way.

Sir Horace Davey.] You could follow it.

Chairman.] No, no; we wish to save time if you please. We cannot have these documents read *in extenso*.

2697. *Mr. Mayne* (to the *Witness*).] Was it first originally put in English, or in Urdu?—

Sir Horace Davey.] Was the original in English. I was instructed, Sir, that the copy I am furnished with was the original; and that the original was in English.

Chairman.] Whatever it is, so far as you have the original, let us have it, Mr. Mayne.

Mr. Mayne.] The English document I have bears a signature at the end.

The Interpreter.] The Nawab says this was written in English; and what was placed before him was a translation in Urdu, on which the orders of the Nizam and others are passed.

Mr. Mayne.] Is that English document signed by anyone?—

Chairman.] Hand that to us. (*The Document was handed in.*) Ask him whether that is Abdul Huk's signature.

The Interpreter.] Yes; he says it is.

2698. We only want to know whether that is signed by Abdul Huk?—It is a true copy signed by Abdul Huk.

Chairman.] Then we purpose to return to you the original in Hindustani.

Mr. Mayne.] The orders are written upon the Urdu document.

Chairman.] Orders by whom?

2699. *Mr. Mayne* (to the *Witness*).] Were any orders made, written by anyone in reference to that Urdu memorandum?—Yes.

2700. Who wrote orders upon it?—His Highness the Nizam himself, and Colonel Marshall.

2701. Did you write any order?—His opinion is also expressed.

2702. Your opinion is also upon it?—Yes.

2703. Had you been acquainted with any of the details of the mining concession?—

Sir Horace Davey.] You will put in this.

Chairman.] No, no, Sir Horace. If you want to apply for anything you must apply to us. This is not *inter partes*. If you want anything you will probably get it by applying to the Committee.

2704. *Mr. Mayne* (to the *Witness*).] Did you yourself, previous to the time this memorandum was presented to you know anything of the details of the mining concession?—He says he was not consulted when the concession was given away, and he has no personal knowledge of the details. He says, a few months before this another memorandum was placed before him by the ex-Minister, Sir Salar Lung, for his opinion.

2705. I do not care about that. Now upon this memorandum, did you do anything except give your opinion as to the advisability of the investment proposed by Abdul Huk?—

Mr. Labouchere.] Is this the investment in the shares?

Mr. Mayne.] This is the investment in the shares; this is Abdul Huk's memorandum, advising the investment in the shares.

Sir Horace Davey.] He deprecates it.

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[Continued.]

Chairman.] Please go on, Mr. Mayne.

The Interpreter.] He says that is all he was asked about.

2706. Mr. Mayne.] And you wrote your memorandum approving of the investment?—Yes. Abdul Huk at the time told the Nawab personally, before Colonel Marshall, that it was a very advantageous thing for the the Nizam to invest money in; and that if there had been any objection against his doing so himself he would have invested his own money in this transaction, but as he said, "I am connected with the Deccan Mining Company officially; I cannot take any shares myself;" and he also said, that although they had they had not discovered gold and diamonds yet, that those shares were about par, that there were hopes of finding gold and also diamonds; and when this was done the shares would go up to 30 or even 50.

2707. Now, had you any conversation with Abdul Huk as to whether he himself possessed any shares in this mining company?—He says, more than once. He says, when Mr. Joseph Rock came out to India in October, he then mentioned to the Nawab that Abdul Huk owned a great many shares, to the extent of 250,000 l.

2708. Was that in Abdul Huk's presence?—No; but he said that he mentioned that to him, and then he spoke to Abdul Huk about it.

2709. Chairman.] Who was it that mentioned this?—Mr. Joseph Rock.

2710. Who is he?—

2711. Mr. Mayne.] Who is Rock?—He is an agent of His Highness, the Nizam's Government, in England.

2712. After this had been communicated to the Nizam was anything said by you?—Yes.

2713. Sir Richard Temple.] Might I point out that the Witness has made a statement in Hindustani which has not yet been interpreted. Will you kindly interpret what he said?—He said he mentioned this to Abdul Huk, and that Abdul Huk was very angry about it, and indignantly denied it.

2714. Mr. Mayne.] Denied what?—That he had any shares whatever in this concern. He says there was a committee meeting also in Hyderabad, at which was present, Nawab Vikar Ulmari, Mr. A. J. Dunlop (who is now in England) another gentleman, the Resident Secretary, and himself. When the Nawab Vikar Ulmari asked Abdul Huk in their presence whether he had any shares in the Deccan Mining Company, Abdul Huk said, No; he had none.

Sir Richard Temple.] The Witness said something more than that; he said, did he not, "Not at all; not a single share."

The Interpreter.] Yes; he says, "No; I have not a single share"; and after the suspension, he said Colonel Marshall told the Nawab that he asked Abdul Huk whether he had any shares, and Abdul Huk said, No, he had not one.

Sir Richard Temple.] "Not a grain, or not a farthing."

The Interpreter.] But he said that what he wanted to imply was, that he had no connection whatever.

Sir Richard Temple.] No sort of profit, that is the literal translation.

The Interpreter.] After his suspension he said Abdul Huk told Colonel Marshall, and Colonel Marshall told him, that he had no shares whatever; no connection; and that he had made no profit by it; and he says, after his suspension, he went to the Acting Resident, and swore to him on his word of honour that he had no share; and he says, "I know this from a telegram that I received from Hyderabad lately."

2715. Mr. Mayne.] When was it that those conversations about the shares took place between you and others and Abdul Huk, what year and month?—The first time in October, when Mr. Rock came there.

2716. October

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[Continued.]

2716. October of what year?—1887.

2717. And when was the next time?—About March or April last.

2718. About March or April of this present year?—Yes; about the end of March or beginning of April of this year; and he says, Mr. A. J. Dunlop is now in England.

2719. Chairman.] What is the last answer of the Witness?—He says, the first conversation about this took place in October; and the last conversation with Abdul Huk took place about the end of March or beginning of April, and in the presence of Mr. A. J. Dunlop, who is in His Highness the Nizam's service, and is now in England. He says he had another conversation also when they went to visit to the Singareni Coal-fields.

2720. Mr. Mayne.] Who is that with?—He says on one occasion when they visited the Singareni Coal-fields Abdul Huk said it was a most advantageous investment; advised the Nawab to invest some money in it also; and he said, on what he stated, the Nawab and Mr. A. J. Dunlop were induced to buy shares.

2721. I do not care about that?—And he said he had not taken any shares until then; but he would purchase some now.

2722. Were you personally cognizant of the transactions connected with Abdul Huk's claim for 83,000 l. arising out of the railway?—Yes, he says he is conversant with it.

2723. Now, do you know whether Abdul Huk sent in to the Nizam's Government any document purporting to be executed by the old Sir Salar Jung authorizing him to receive the money which he claimed in the railway transaction?—Yes.

2724. Sir Richard Temple.] He says, "the letter of Sir Salar Jung"?—Yes.

2725. Mr. Mayne.] Is that the letter which he sent in (handing a document to the Witness)?—Yes.

2726. Is that in English?—Yes.

2727. That is Salar Jung's handwriting, is it not?—No.

2728. Who is the letter written by?—Seyd Bilgrami, who was private secretary to the late Sir Salar Jung.

2729. And is it signed by Sir Salar Jung?—Yes. He says, he had a conversation with the writer of this note, Seyd Bilgami.

2730. I do not care about that. I am satisfied with that; that that is a genuine letter. Now Abdul Huk was suspended, I believe, on the 14th April of this year?—Yes; about the 13th or 14th, he says.

2731. Now is this the order of suspension?—

Chairman.] Mr. Mayne, will you be good enough to assist the Committee. A statement has been sent to the Committee of the evidence this Witness is apparently giving; he speaks there as to this 83,000 l., he says the Buff Book produced contains Abdul Huk's explanation; that explanation is still under consideration. I see in that book, on page 32, what purports to be a copy of the memorandum of the late Sir Salar Jung. Have you got the memorandum of the late Sir Salar Jung?—

2732. Mr. Mayne.] Is this the book that contained Abdul Huk's statement in reference to that railway concession?—Yes, that is the book.

Chairman.] Will you give me that, if you please. (The same was handed in.) Ask the Nawab if he knows where the original of this is, the 28th December 1881, a memorandum of Sir Salar Jung written to Abdul Huk. This is as to the 83,000 l. you are examining upon?

Mr. Mayne.] That is, as I understand, the document he has just spoken of.

Chairman.] No; it is a letter. Will you let me have that please? (The same was handed in.) There is an original of this, is there not?

Mr. Mayne.] That is the original?

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Chairman.] No, in English. He says here, the first part of it is in the handwriting of the late minister.

Mr. Mayne.] That is another document.

Chairman.] That is the document I want.

2733. *Mr. Mayne.*] That is a document I am just going to ask about. (To the *Witness.*) Now at page 32 of that Buff Book, do you see a reference to a memorandum by Sir Salar Jung?—Yes.

Sir Richard Temple.] What he says is this: that it was the practice in Abdul Huk's office to present the papers in English, but that the official language being Urdu, it used to be translated into that language; that the Urdu copy was presented to the Minister, and that the Minister used to write his orders on the blank margin; therefore for practical purposes the *Witness* says, this ought to be considered as the original document practically. He says, I have translated word for word what he has said. I ask him this. He declares that to the best of his knowledge this marginal handwriting in pencil is Sir Salar Jung's, and he reads to me this last sentence, and the sentence runs almost as near as possible: "That all kinds of commission are to be allowed to him in virtue," and so on. The word is "commission." Nothing is said as to the percentage of the commission.

2734. *Chairman.*] I understand there is a primary original prepared in English; can we have that?—The translation is at page 32 of the Buff Book.

Chairman.] I want that Buff Book. (*The same was handed in.*)

2735. *Mr. Mayne.*] First of all, I want exactly to understand is the body of of that document a memorandum presented by Abdul Huk to Sir Salar Jung for orders?—Yes; because Sir Salar Jung's orders are written on them.

2736. And the pencil memorandum upon that purports to be written by Sir Salar Jung?—Yes; it is in Sir Salar Jung's handwriting. This document was laid before the present Sir Salar Jung, his son, and two other people, and they said that some suspicion was aroused as to whether the Urdu word, meaning "in lieu of" was in his handwriting.

2737. *Chairman.*] Just ask the *Witness* this: Does he believe that that memorandum is in Sir Salar Jung's handwriting?—Yes, he says he himself believes that this memorandum is in Sir Salar Jung's handwriting.

2738. The whole of it?—He says, yes; even the last portion, he believes, is in the handwriting of the late Sir Salar Jung.

Sir Richard Temple.] He says, "In my opinion;" there is no doubt that it is Sir Salar Jung's.

Chairman.] Will you be good enough to follow the translation. The translation had better go on the Note with that memorandum. It is a translation which appears to bear date 2nd January 1883 (*reading the same*).

2739. *Mr. Mayne.*] I understand that document was put in in support of his claim for the 83,000 l. under the railways?—Yes, he says he puts it before the Minister, but the whole matter is before the Council of State, and it has not been finally decided yet.

2740. Is his claim for the 83,000 l. still open?—Yes; before the Council of State.

2741. Abdul Huk was suspended, I believe, on the 14th April of this year?

Chairman.] I think it is the view of the Committee that it is not their duty to inquire into the questions now arising between the Hyderabad Government and a Minister of that Government. It is not for the Committee to report on the right of a Minister against the Government, or the Minister's

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Minister's position toward the Government; we can only inquire into the position of the Minister and the Government to each other, so far as they bear upon the transaction arising here in this country; therefore we must ask you to confine your examination to those facts that do bear upon the matters that have arisen within this country, and to separate your examination from matters entirely between the Hyderabad Government and this Minister.

2742. *Mr. Mayne.*] That is the way in which when I am allowed to speak, I shall put the case before the Committee. (To the *Witness.*) Now have you got the order of suspension of the 14th April, 1888?—Yes.

Mr. Mayne.] I propose to put that in, Sir.

Chairman. I think the fact of his suspension you may put in; but we cannot take it as proof of any facts, except that he has been suspended.

Mr. Mayne.] Of course the way I propose to put it in is, as showing the view the Hyderabad Government took when Abdul Huk's dealings came to their knowledge.

Chairman.] Perhaps. *Mr. Mayne*, there is no objection to your putting in the suspension, taking it as a whole; but the Committee will regard that as evidence to this extent only. It will prove his suspension, and it may prove generally the ground on which the Government acted, but it will not prove that the grounds on which they acted are correctly stated, and that the facts therein stated are facts?

Mr. Mayne.] No, of course not.

Sir Horace Davey.] Nor will you require me to contravert that.

Chairman.] I will communicate the view of the Committee when it arises, *Sir Horace*. I do not dissent from what you have said at present myself.

Mr. Mayne.] Then, Sir, with that view, and subject to this limitation, I propose to submit that document for consideration.

Chairman.] Very well, we will not to what extent we receive them.

2743. *Mr. Mayne* (to the *Witness*).] After that suspension of Abdul Huk was he required to give up all documents connected with the Nizam's Government which were in his possession?—Yes.

2744. Now among these documents did a document written by Sir Salar Jung, or signed by Sir Jung on the 7th February 1882 or the 5th January 1882, come into the possession of the Nizam?—Yes; it is the 5th of January.

2745. Is that the document (*handing the same to the Witness*)?—The 5th of January.

2746. *Chairman.*] What is this, *Mr. Mayne*? (To the *Witness*.) Is that the document?—Yes.

2747. *Mr. Mayne.*] Is that signed by Sir Salar Jung?—Yes.

2748. The late Sir Salar Jung?—Yes.

2749. Had the Nizam's Government, subsequent to the death of the old Sir Salar Jung, any knowledge of that document, so far as you know?—So far as I am aware, no; but, subsequently, he has received a telegram from Hyderabad which shows that, as regards the 83,000 l. commission, when Abdul Huk sent in his reply, that a copy of this letter was also sent with it, and sent to the Resident.

2750. *Chairman.*] When was that sent in; when was the copy sent to the Resident?—Fifth February 1885.

2751. Read the telegram, please?—"Fifth February 1885," Huk wrote: "Salar Jung justifying acceptance, 83,000 l. amongst enclosures to his letter was copy of late Minister's of 5th January 1882. Huk's letter with enclosure

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enclosures sent Cordery. No Copy. Home Office; but one procured Residency, posted you last mail."

2752. Mr. *Labouchere*.] Was that the letter about the Commission from Watson?—It has reference to *this* letter.

2753. Mr. *Mayne*.] When Abdul Huk forwarded a copy of that letter in February 1885, was the question that was under consideration between Abdul Huk and the Nizam's Government, Abdul Huk's claim of 83,000 *l.* in respect of the railway business?—Yes, I believe so.

Chairman.] It would be so, clearly.

2754. Mr. *Mayne*.] And was there any question at that time between the Nizam's Government and Abdul Huk in regard to the mining concession?—To my knowledge, no.

2755. Was that Buff Book the defence that Abdul Huk sent in to the Nizam's Government in support of his claim for the 83,000 *l.* under the railway?—Yes; because he had been asked for an explanation, and he put in this report in his defence which has been sent up before the Council of State.

2756. Now is this a copy of the order appointing Abdul Huk to negotiate in London in regard to the mining concession (*handing same to Witness*)?—Yes; it was amongst the printed papers given by Abdul Huk when handing over charge.

2757. That identical document was among the printed papers given up by Abdul Huk?—Yes, when handing over charge.

2758. I see it is not an original document; but it is an official copy, such as is recorded in the offices?—Yes, it would be an official copy, because it would be in his office.

Mr. *Mayne*.] I might tender that, Sir.

Chairman.] What is this?

2759. Mr. *Mayne*.] These are instructions of the 30th March 1883, under which Abdul Huk acted when he come over here to negotiate for the mining concession. (*To the Witness*.) Now, look at this document (*handing the same to the Witness*.) This purports to be a document addressed by Mr. Watson to the Sirdar of the 25th August 1886, with some enclosures?—Yes.

2760. Those were amongst the papers?—Those were amongst the papers handed over by Abdul Huk.

Mr. *Mayne*.] I offer that, Sir, for the acceptance of the Committee.

Chairman.] Oh, yes; this will go in.

Mr. *Mayne*.] It is Mr. Watson's letter notifying the formation of the Company, with the enclosures.

Chairman.] This had better be read. Then we have the incorporation of the Company from, I suppose, the Registrar of Joint Stock Companies, "I hereby certify that the Hyderabad (Deccan) Company, Limited, is this day incorporated under the Companies Acts, 1862 to 1883, and that this Company is limited. Given under my hand at London, this 29th day of July 1886." Then this is a statement from, I suppose, the manager of the National Provincial Bank, London. (*Reading the same*.) This is the covering letter from Mr. Watson and Mr. Stewart, addressed, it does not appear to whom, but I suppose it is addressed to the Government. "Sir,—The capital for the construction of the line from Warangul to Singareni having been practically assured on the 24th March last, we have the honour to inform you that, in pursuance of the deed of concession, dated the 7th of January 1886, between the Government of His Highness the Nizam and us, a joint stock company limited by shares, styled the "The Hyderabad (Deccan) Company, Limited," with a capital of 1,000,000 *l.* sterling, has been formed under the Companies' Acts 1862 to 1886, and registered in London on the 29th of July 1886; that 150,000 *l.*

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of its share capital has been subscribed, and 75,000 *l.* has been paid up in respect of such subscribed capital; that a transfer by us to the Company of the concession, and all benefits and obligations thereunder, has been effected; and that the Company has adopted the concession and made itself liable for the payments mentioned in clause 11 of the said Indenture, and in all other respects liable to the same extent as we were liable, or might become so, under the deed of concession. We beg to send you herewith an official copy of the certificate of registration of the Company, and the certificate of the National Provincial Bank of England that the 150,000 *l.* has been subscribed, and the 75,000 *l.* paid up." That is addressed to "Sirdar Diler-ud-Daolah Bahrdur, C. I. E., Secretary to Government, Home Department, Secunderabad." Mr. Mayne, is there anything else you want to put in?

Mr. *Mayne*.] No, Sir.

Chairman.] I am sorry to read this; but this document must be read; and it had better be read, I think, now. It is a document the Witness put in.

Sir *Horace Davey*.] Is that the document of the 7th of May, Sir?

Chairman.] 7th May, from Abdul Huk; his statement. It is a statement marked "Strictly secret." "Home Secretariat 7th May 1887" (*reading the same*).

Chairman.] Sir Horace, we presume you wish on behalf of Abdul Huk to ask the Nawab some questions?

Sir *Horace Davey*.] Yes.

Chairman.] Will you please bear in mind that the Committee wish your assistance; not upon facts existing between the Government and Abdul Huk in Hyderabad; those are questions that must be determined there; but only such facts as must affect the matter in this country?

Sir *Horace Davey*.] I will bear that in mind.

Chairman.] It is very natural for you to think that you have Abdul Huk in your hands, and to wish to defend him; but that is not within the purview of the Committee.

Sir *Horace Davey*.] If I may respectfully say so, that was the view I was going to lay before the Committee.

Chairman.] Will you proceed then?

Sir *Horace Davey*.] Then, Sir, there is the indorsement upon that by this gentleman Mahdi Ali; I desire to give his proper titles.

Chairman.] Will you read anything you wish read?

Sir *Horace Davey*.] I wish to read the translation of his indorsement in Urdu approving of this memorandum.

Chairman.] Read the translation to him, and ask the Interpreter to put it to him.

Sir *Horace Davey*.] I have not got a full translation.

Chairman.] Let the Interpreter take the original memorandum.

The *Interpreter*.] The Nawab will be able to follow it himself.

Sir *Horace Davey*.] I have not got a full translation, Sir. The passage I am furnished with is this: "The Sirdar had been very cautious in exhibiting every possible unfavourable feature, and had pointed out that neither gold nor diamonds were to be found; but he was nevertheless of opinion that the investment would be profitable, and that it would confer upon the Government the right to control the transactions of the Company. Mahdi

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Ali also stated that there was a balance of so much in the National Provincial account, and so forth, and that the sum might be required." That is only an imperfect extract; but I should like, if you would ask the interpreter to be kind enough to read in English the memorandum which was endorsed by this gentleman upon that memorandum of the 7th May.

The *Interpreter*.] He will read it, and I will translate it literally.

Sir *Horace Davey*.] Can you read it?

The *Interpreter*.] Not *this* handwriting.

Sir *Horace Davey*.] He must translate it into Hindustani.

The *Interpreter*.] He will read it in Hindustani, and I will translate it: "I have carefully considered this proposal, and have slowly, cautiously, and have cautiously considered both the advantages and the disadvantages that would result from it." He says, "The Sirdar has shown the disadvantages that may hereafter accrue, and if gold and diamonds are not found the property will result in a loss. I may mention that the Government are to buy 10,000 shares, which promise hereafter to be remunerative; to be profitable; and then the Government will have a right of interference in the Company."

Sir *Horace Davey*.] A right to control the transaction?

The *Interpreter*.] To control the translation; "interference" is the proper word, but then of course it is not used as "interference" *here*. It means a literal interference.

Sir *Horace Davey*.] Now, Sir, there is a memorandum or statement of which I have no copy, by Colonel Marshall, the Nizam's confidential adviser, which is in English; I understand; and perhaps that might be read?

Chairman.] Where is that?

Sir *Horace Davey*.] On the same document.

Chairman.] Pray let it be read.

2761. Sir *Horace Davey*.] That is from Colonel Marshall, the English secretary of the Nizam. (To the *Witness*). The English secretary of the Nizam, is he not?—Yes.

Chairman.] "I have laid this proposal before His Highness the Nizam, and it has been fully explained to him by Abdul Huk and myself. His Highness is pleased to record his warm approval of the investment, and directs it to be carried out. The Resident's consent has also been obtained. The Nizam orders 10,000 shares to be purchased by wire at the most favourable rates up to 12 l. per share; the money is to be paid at a special general account of the railway at the National Provincial Bank, in accordance with proposals accorded by the political and financial Home Secretaries; the remainder to be temporarily borrowed from the bank." That is 10th May 1887.

Sir *Horace Davey*.] That is according to my instructions. Then, Sir, I will ask this gentleman through the Interpreter.

Chairman.] Sir Horace, perhaps it has caught your attention; in this memorandum of Colonel Marshall it is stated the Nizam orders 10,000 shares to be purchased by wire.

Sir *Horace Davey*.] Yes.

Chairman.] 10th May. In this book which I understand is put in, the Yellow Book, we have received it from the House of Commons, there is Abdul Huk's statement which purports to be a copy of this memorandum:

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memorandum: "His Highness is pleased to accord his warm approval of the investment, and directs it to be carried out; the Resident's consent has also been obtained. His Highness orders 10,000 shares to be purchased." The words, "by wire," are left out.

Mr. *Horace Davey*.] I did not know that they were in, I have only *this* copy.

Chairman.] The importance of it is that this order was given "to be purchased by wire," on the 10th May. No order is given until Abdul Huk comes over again on the 4th June.

Sir *Horace Davey*.] I was going to bring that out. I am furnished with what purports to be telegrams between the Nizam's Government and Colonel Marshall.

Chairman.] Ask what will elucidate that?

Sir *Horace Davey* (to the *Interpreter*).] Will you ask the Witness whether he knows that a telegram was sent from the Nizam's Government to Mr. Watson, of London, on the 10th of May, ordering shares to be purchased?

Chairman.] But Mr. Watson has got that telegram if it is in existence.

Mr. *Watson*.] I never had it.

Chairman.] That answers your question, Sir Horace.

Mr. *Littler*.] It went to the wrong person?

Sir *Horace Davey*.] Mr. Watson mentioned the explanation that it went to the wrong person.

Mr. *Littler*.] You will remember, Sir, that he mentioned—

Chairman.] Please, please, please.

Sir *Horace Davey*.] Then perhaps they have got the order?

Chairman.] Let it be produced. We had better get to the bottom of this. (A document was handed to Sir *Horace Davey* by Mr. *Whitehead*.)

Sir *Horace Davey*.] This is produced. It is in cypher, also in long-hand. "Secret Government wishes purchase" (this is in accordance with my instructions) "purchase 10,000 shares, Deccan. At what price can buy. Telegraph immediately. Will leave Thursday; have you arranged for hotel." It appears, itself, to have been sent in cypher. (To the *Interpreter*.) Ask the gentleman whether that is a copy of the telegram sent.

Chairman.] What is that dated?

Sir *Horace Davey*.] 10th May.

Chairman.] And to whom is it addressed?

The *Interpreter*.] To W. C. Watson, 7, Great Winchester-street, London.

Chairman.] Let me look please. (The document is handed in.) This is addressed rightly to Mr. W. C. Watson. What is your address, Mr. Watson.

Mr. *Watson*.] "Workshop, London," for the telegraphic address.

Chairman.] Is your right address C. W. Watson, 7 Great Winchester Street?

Mr. *Watson*.] Yes.

Chairman.] And is the telegram sent to "Workshop, London?"

Mr. *Watson*.] Yes.

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Chairman.] That is your right address?

Mr. Watson.] That is my right address. I do not recollect that telegram. I could search for it, and look and see if I had a telegram of that date.

Chairman.] The Committee understand you to say most positively you never had.

Mr. Watson.] I have no recollection of it for a moment.

Sir Horace Davey.] Perhaps the answer will recall Mr. Watson's recollection. This is produced. This is on a telegraph form. This purports to be the answer to the telegram, and it is dated 11th May, according to my instructions. "Your telegram to hand to-day, 10,000 shares without exciting market; requires time and cautious dealing; price about 12l.; hotel arranged."

Chairman.] Clearly this Witness knows nothing about these transactions.

Sir Horace Davey.] This is produced by the Nizam's Government, Sir; and that is the actual telegram on telegraph paper.

Witness.] This was handed over by Abdul Huk, after his suspension, to the Nizam's Government.

Chairman.] This document which has now been read by the learned Counsel was handed over by Abdul Huk after his suspension. It has been read. The date is the "21 words, 11th day, 3 o'clock." It does not put "May." The "day is 11," hour "3," "minute 50." That is addressed to the name of Abdul Huk, Secunderabad. It is in cypher. Then who has written this translation of cypher, do you know. Ask the Witness whether he knows whether that translation was on it when handed over by Abdul Huk.

The Interpreter.] He says, that when after his suspension, Abdul Huk was asked to hand over charge to another officer, he handed over charge of his office with a lot of papers; and he says "I do not know whether this was on." This is not original, because we get it on yellow paper. The English telegrams all came on yellow paper.

Chairman.] What it appears to be is, that where the words would be words of ordinary use and likely to be used, there is a cypher. When you come to words not likely to be used, exceptional words, as for instance "hotel arranged," that is in long writing.

Sir Horace Davey.] So I observe, Sir.

Chairman.] "Price about 12 l. Hotel arranged"; all in long writing. The rest seems to be in cipher?

Sir Horace Davey.] So I observe, Sir.

Mr. Watson.] That reminds me, Sir; I do recollect—

Chairman.] We will have you back. Had you a cypher between Abdul Huk and yourself?

Mr. Watson.] The A B C code.

Chairman.] That will do for the present. We will ask for explanation. Now, Sir Horace, please.

2762. Sir Horace Davey (to the Interpreter.) Ask him whether he has brought to England the original proposals made by Messrs. Watson and Stewart for a mining concession, dated 7th November 1882?—He says *he* has got all our papers (indicating the solicitor).

Sir Horace Davey.] Have you got them, Mr. Whitehead?

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Mr. Whitehead.] I have not seen the original. I have searched carefully.

Sir Horace Davey.] I will take Mr. Whitehead's word, Sir. (To Mr. Whitehead.) You have not got the original?

Mr. Whitehead.] I have a printed copy, of course.

Sir Horace Davey.] They have been referred to more than once?

Mr. Whitehead.] I have a printed paper copy.

Sir Horace Davey (to the Interpreter.) Has he got a printed copy handed over by Abdul Huk as part of the papers in his possession officially?—Yes; that was handed over by Abdul Huk as part of his papers.

Sir Horace Davey.] This document of the 7th November 1885 has been referred to, but I believe a copy of it has not been put in.

Chairman.] What is this copy?

Sir Horace Davey.] This is a printed copy which has been kept apparently (the Interpreter will correct me if I misinterpret what he said) which was handed over by Abdul Huk amongst the papers in his possession as occupying the office which he did occupy, I forget what it was, in the Nizam's Government.

The Interpreter.] Yes.

Chairman.] But what is the nature of the document.

Sir Horace Davey.] It is a proposal made by Messrs. Watson and Stewart of the 7th November 1882 for the mining concession, the original proposal.

Chairman.] We will take it for what it is worth.

Sir Horace Davey.] It has been referred to, but I think no copy of it has been put in before the honourable Committee.

Chairman.] Very well; identify that and let it go in.

The Interpreter.] The Nawab wishes to say, Sir, that that was a printed copy handed over by Abdul Huk after his suspension.

Chairman.] So we understood. (The document was handed in, and is as follows:—

"Proposal.

"To Abdul Huk, Sirdar Diler Jung, Bahadur, C.I.E., &c., &c.

The undersigned pay the Government of His Highness the Nizam, of Hyderabad, Deccan, to grant and concede to them all mines, fields, beds, and deposits of coal, clay, iron, ironstone, limestone, and all other minerals, metal, mineral oils, and mineral substances in the territories of His Highness the Nizam, known to exist, and comprised in the Public State Registers; and also all gold, silver, platinum, and all other precious metals, and precious stones, and also such other minerals as may be discovered and registered in the Public State Register within five years after date of such concession.

2nd. The concession to be granted upon the terms and conditions set forth in this proposal, and the Schedule hereto attached, if the proposal be accepted. No departure from the terms to be made without the consent of the undersigned.

3rd. The concession to commence to run from the date of its issue. It is intended by the Government to form under a concession a company who will undertake the construction of a broad-gauge railway from Hyderabad to a point within the territories of His Highness the Nizam near Chanda, and

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and of a branch line from Warrangal to the western branch of the river Gadaveri or at the option of His Highness's Government to a point near Biswada in the Kistna Delta, so as to enable the undersigned to profitably work the mines, mining rights, and premises to be conceded, and to transport minerals and other things over the said railways. Should the railways not be made or completed within three and half years from the date of the concession, the concessionnaires to have the option of abandoning the concession, wholly or in part, and the concessionnaires are not to be obliged to commence their actual operations until after due and proper provision had been made for the construction of the railways just referred to.

4th. The undersigned having deposited in securities 100,000 £. as caution money with the National Provincial Bank of England (Limited), as per enclosed letter of that bank, are to maintain there on deposit that value of securities, until the 30th of April 1883, subject to the condition that the concession is granted to the undersigned or their nominee or representative in a form to be approved by them on or before the last-mentioned date; and to the further condition that before the same date the proposed company for the construction of the railways is to be floated with an adequate subscribed capital, of which not less than 20 per cent. shall then have been paid up should these conditions or either or them not be fulfilled, the undersigned are to have the right to withdraw on their demand the securities and money from the bank, any interest or dividends accruing on the securities so deposited are, during the deposit, to be paid to the undersigned.

5th. Upon the grant of a concession to the undersigned, or their nominee or representative in the form above referred to, they are to be at liberty to form a limited liability company in London, with a capital of not less than 1,000,000 £., with power to increase the capital by an issue of debentures or otherwise, if necessary, and to transfer to such company all or any of the rights, privileges, and obligations of the concession. Such company, when incorporated, are to undertake, consistently with the terms of this proposal, the expenditure of 100,000 £. in the development and carrying out of the mines, minerals, and other objects and purposes of the concession, and are to take the place of the undersigned, who thereupon are to be free from all further responsibility, and either after the 30th April 1883, or on the production of the certificate of incorporation of the Company, and on the demand of the undersigned the securities deposited are to be returned and delivered back to the bank by the undersigned.

6th. When the railway is completely constructed and in full operation, and capable of transporting such mineral traffic as the Company may require, the projected mining company are to guarantee to provide the railway company with a minimum mineral traffic equivalent to one per cent on a capital of 4,500,000 £. of such railway company, provided the development and working of the mines after the completion and opening for traffic of the railway produces sufficient for that purpose, in consideration whereof the railway company are to give facilities to the mineral traffic of the mining company on terms to be agreed upon.

7th. The undersigned are to have power to associate themselves with others in carrying out the proposal, and they and the Company to be formed are respectively at liberty to transfer all or any of the rights, obligations, and premises to be comprised in any concession to be granted as above said, either wholly or in part, to any persons, companies, or institutions, and either for the entire period of the concession, or for any lesser period, and generally upon such terms not opposed to the conditions of the concession, as to the undersigned shall seem expedient.

8th. All the expenses of, and incident to, the carrying into effect the concession are to be borne and paid by the undersigned, or the Company as above-mentioned, and in this respect the Government of His Highness the Nizam is to incur no liability of any kind whatever.

Dated 7 November 1882."

(signed) C. Watson.
John Stewart."

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Sir Horace Davey.] Then, does he produce a letter from Mr. Watson to Abdul Huk, dated the 8th February 1884. I believe you have that, Mr. Whitehead?

Mr. Whitehead.] Yes.

Sir Horace Davey.] This is the original. I do not know whether the Witness knows Mr. Watson's handwriting; but Mr. Watson is here.

Chairman.] This Witness will only know that it is a document handed over.

Sir Horace Davey.] It is addressed by Mr. Watson to Abdul Huk, and I was instructed that the original was in the possession of this gentleman.

Chairman.] Hand that in please. (*The same was handed in.*)

Sir Horace Davey.] The substance of it is objecting to the draft, as drawn by White and Borrett.

Chairman.] You can go on.

Mr. Labouchere.] Have we not got that in the Parliamentary Papers?

Mr. Whitehead.] Yes.

Sir Horace Davey.] That is in the second batch of the Parliamentary Papers, as part of Abdul Huk's papers.

Mr. Labouchere.] Papers which Mr. M'Lagan moved for. I think you will find it in them at page 17.

Sir Horace Davey.] I think not, Sir. I was under the impression that it was in the second batch, which is merely a copy of that yellow memorandum you have before you; and I am quite willing that that yellow memorandum, at least it is not for me to say, but, if the Committee think fit, to treat every document in that yellow memorandum as before them, it will save a good deal of trouble. If you tell me, Sir, that every document in the Parliamentary Paper which was the Yellow Book; the Yellow Book has been made a Parliamentary Paper.

Chairman.] Yes.

Sir Horace Davey.] If you tell me that every document in that is before you it will shorten the matter a good deal.

Chairman.] I understand that has never been circulated yet. It has never been presented to Members of the House yet.

Mr. Labouchere.] It has been laid on the Table of the House, but never sent from the Library to the printers to print; that is why we cannot get it.

Sir Horace Davey.] I ask leave to put in the original; but if it is printed somewhere it will save honourable Members trouble.

Chairman.] You must not take it that all the documents that appear in that Yellow Book will be regarded by the Committee as evidence?

Sir Horace Davey.] So I assume, Sir.

Chairman.] Because they may not bear upon the subject. We shall have that book before us.

Sir Horace Davey.] I assume you will not do that?

Chairman.] Shortly, I think, the Committee would be disposed to presume *prima facie* that every document is evidence that appears in this book. We should dispense with every formal proof of the original document.

Sir Horace Davey.] If you please. (*To the Interpreter.*) Now ask him

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him whether he has a memorandum dated Camp Surinagur, 16th August 1886, signed by Salar Jung the Younger. This will help you; ask him whether he has *this* document. You have got this Brown Book handed to you, Mr. Whitehead?

Mr. Whitehead.] Yes.

Chairman.] Ask for the document you want, if you wish it.

Sir Horace Davey.] I want a document, dated Camp Surmiagur, 16th August 1886, signed Salar Jung.

Chairman.] The younger.

Sir Horace Davey.] Which is on the first page of *this* brown book.

Chairman.] Have you got that, Mr. Mayne.

Mr. Mayne.] No, Sir.

2764. Sir Horace Davey (to the Interpreter).] Has he not had amongst the official documents which he has brought over this print in a brown cover?— We have got a print in a brown cover, but I do not know what it is.

Sir Horace Davey.] I understand it has been put in.

Chairman.] We are not going to take the contents of that book as evidence.

Sir Horace Davey.] Will you allow me to read its contents *de bene esse* without prejudice?

Chairman.] No. What is that Buff Book, please?

Sir Horace Davey.] This Buff Book is the memorandum which my learned friend, Mr. Mayne, spoke of as containing Abdul Huk's statement of his case with regard to the 83,000 l.; but incidentally touching other matters, and it is printed in this form, and I understood it was a public document in Hyderabad, and it is prefaced by a memorandum, dated Camp Sumiagur, 16th August 1886, and signed by Salar Jung, stating that he has examined the statements in it, and can vouch for the perfect accuracy of them.

Chairman.] You wish to read a document in that book, *because* it is in that book.

Sir Horace Davey.] I wish to read this document as having been submitted to Salar Jung, the Prime Minister of the Nizam, the accuracy of the statements in it having been authenticated by the Prime Minister.

Mr. Littler.] Will you allow me to state, on behalf of Mr. Watson, that it is of great importance, in my view of the case, that this should be permitted to be put in for such purposes as it is admissable; very important.

Chairman.] The Committee understand that you desire to put in evidence a writing published by Abdul Huk. That itself would not make it evidence. The fact that Sir Salar Jung has approved of it does not carry you any further to satisfy the sufficiency of proof that this Committee ought to receive; therefore we cannot allow a book that has been published by Abdul Huk, simply because it is stated to be approved by Sir Salar Jung, to be evidence before this Committee.

Mr. Littler.] It is not published by Abdul Huk, but by the Government.

Chairman.] If you were trying a case between Abdul Huk and the Government the statement of his Prime Minister might assist you; but that is not the case before this Committee. I am sure you will see that.

Sir Horace Davey.] The question between Abdul Huk and the Nizam's Government narrows the point very much indeed. Of course, I am not disputing

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disputing your decision, Sir; but I understand that the book is published by the Government, and it does contain what purports to be copies of documents which it might be troublesome to prove otherwise; but, of course, I must accept your decision.

Sir Richard Temple.] Is it published by the Government?

Sir Horace Davey.] So I understand.

Mr. Littler.] Will you allow me?

Chairman.] No; if you please.

Mr. Littler.] I was not going to ask that anything should be assumed to be true because it is there; but I was going to show when allowed to do so—

Chairman.] We cannot hear this argument.

Sir Horace Davey.] Would you allow me to ask Mahdi Ali, whether this book is published by the Government or not?

Chairman.] Certainly we will get that fact.

Sir Horace Davey.] Sir Richard Temple will understand.

Sir Richard Temple.] Yes, quite so.

Sir Horace Davey (to the Interpreter).] Will you ask him whether he knows whether that document, a copy of which has been produced by himself, and is before the Committee, was published by the orders of the Government or not?

The Interpreter.] He says that this was prepared by Abdul Huk when he was called upon for an explanation in his own defence; and he had printed a few copies so that it may be placed before the different Members of the Council of State, and *this* is before the Council of State; and the matter has not been finally decided yet.

Sir Richard Temple.] Then it is not published apparently?

The Interpreter.] No.

Sir Horace Davey.] That appears to be so, Sir; I am misinstructed.

Chairman.] We cannot take that book as evidence.

Sir Horace Davey.] Of course, Sir, I must bow to your decision.

Chairman.] I think you will see so yourself.

Sir Horace Davey.] It can only be evidence of what the Government had before them; I agree that the Government at a certain date had certain documents before them.

Chairman.] As Abdul Huk's statement; not a Government statement.

The Interpreter.] The Nawab wishes to say, Sir, that Abdul Huk was permitted to publish this document for the information of the Members of the Council in State.

Chairman.] So we understand. That will do on that point. Now let us go on.

Sir Horace Davey.] Then I understand, Sir, that Mahdi Ali (with the permission of the Committee I will take Mr. Whitehead's answer) has not got in his possession the original of that memorandum which purports to be printed at the beginning of this document.

Chairman.] He has said so; and Mr. Whitehead will be good enough to make a search and see if he has it.

Adjourned for a short time.

Chairman.] Is there any other gentleman wishes to ask the Nawab any question?

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Mr. Littler.] I wish to ask one or two.

Chairman.] To what point?

Mr. Littler.] First of all, whether he is aware when the memorandum and articles of association of this Company arrived in Hyderabad.

Chairman.] We have got the proof of that.

Mr. Littler.] I think not, Sir.

Chairman.] We have the proof of the registration when it arrived. You may ask him that point; but is there anything else?

Mr. Littler.] My belief is that it went with the certificate of registration.

Chairman.] We will not argue that. The Committee has no objection to its being asked that question. Is there any other point?

Mr. Littler.] The other point I want to ask a question upon is this, that in the book which you have rejected as a book, there is what purports to be a print of a long memorandum of the whole business by the first Sir Salar Jung. Now I want to know whether the original of that is in England, and if not—

Chairman.] You shall ask those points, if you please.

Mr. Littler.] You will find, Sir, at page 10 a very long memorandum.

Chairman.] I am not looking at that book at present.

Mr. Littler.] Will you look at it?

Chairman.] No, I would rather not, please.

Mr. Littler.] The only way I can identify it is by asking the Interpreter to get him to look at the beginning of it to see whether he knows anything about it.

Chairman.] Can you not ask Mr. Whitehead whether he has such a document in his possession.

Mr. Whitehead.] A print of it.

Mr. Littler.] A print of it, that is better still. Of course I do not propose to ask questions on the contents of it.

Mr. Whitehead.] It is the 10th January, I feel sure.

Mr. Littler.] I believe that is the date of it; but it is a very long one going fully into the whole thing.

Chairman.] When you tender it we will see what it is.

Mr. Littler.] The best way will be to hand it to the Right Honourable Chairman, and he will decide at once whether it needs any further proof. Of course I do not want to argue these things. It is one that begins, "I find from the communication of 1st January 1883."

Mr. Whitehead.] You have only taken an extract from it (*handing a document to the learned Counsel*).

Mr. Littler.] This is the one. This is the full document, if you will kindly hand that to the Right Honourable Chairman. (*The document was handed in*). That you will see, Sir, is a document referred to in the final Order, dated 30th March 1883, which you already have in.

Chairman.] Well, Mr. Littler, you had better content yourself now with proving that this piece of paper comes as we will take it from the custody of the Witness, and we must postpone the discussion of how far this can be evidence;

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Mr. Littler.] Certainly, Sir, perhaps while the Witness is here we may do that which would certainly make it evidence, as a document is abroad if it can be shortly identified, namely, ask the Mahdi whether he knows of the existence of the original of that. If he knows of the existence of it, then presumably, as it comes from them, that is a true copy.

Chairman (to the Interpreter).] Let him look at the end of that, the signature, and ask him whether he is aware that the original of that is in existence. (*The document was handed to the Witness.*)

The Interpreter.] He says he does not know anything about it.

Chairman.] You hear, Mr. Littler, he says he knows nothing about it, whether the original is in existence or not.

Mr. Littler.] Then it remains where it was.

Chairman.] That paper does.

Mr. Littler.] I shall have to discuss that with you afterwards. Would you kindly ask whether amongst the documents that have come over, any copies of letters to Mr. Cordery, the Resident, have come? I can ask Mr. Whitehead that.

Mr. Whitehead.] Yes.

Mr. Littler.] There are?

Mr. Whitehead.] Yes.

Chairman.] Mr. Cordery is going to be called, I understand.

Mr. Littler.] I could lay the foundation. Possibly Mr. Cordery will not have the letters to him; copies however in this country would equally be evidence.

Chairman.] I cannot tell you. All I can tell you is that Mr. Cordery is going to be called; and Mr. Whitehead will produce all the documents he has got.

Mr. Littler.] There is only one other thing with regard to this book; that is, would you kindly ask him whether he is sure he has never seen the original of this document, "Camp Surinagur." The last paragraph of that very much affects me, and I am very anxious to get in.

Chairman.] What book is this?

Mr. Littler.] I am taking it from the same brown book which is the book you have decided not to admit; but I want to get the document if I can.

Chairman.] Is it here in this country? Mr. Whitehead will know.

Mr. Whitehead.] I cannot find it.

Mr. Littler.] I was going to ask leave to do this through Mr. Whitehead (because, of course, we must have everything directly). Mr. Whitehead to telegraph to India whether they have not such a document as that, and whether that is not a true translation.

Chairman.] The Committee could not assist such a kind of communication as that. You must take the usual course.

Mr. Littler.] There is no reason why that should not be done if Mr. Whitehead is willing to do it at our expense if the Committee will sanction it.

Chairman.] If Mr. Whitehead chooses to send any telegram at your expense the Committee will not object to Mr. Whitehead doing so, of course. (*To Mr. Whitehead.*) Have you got a copy of the Articles of Association amongst the papers the Nawab has brought over?

Mr. Whitehead.] No, Sir; I had to get that from the Company since. The Articles of Association are not in the papers.

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Mr. Pember.] I am instructed by a committee of members other than the concessionnaires.

Chairman.] Who are the directors? Is Lord Lawrence one?

Mr. Pember.] Lord Lawrence is certainly one, Mr. Colvin, and Mr. Batten.

Chairman.] I may put one question: Is this appearance at the expense of the Company generally, or at the expense of those three gentlemen individually.

Mr. Pember.] Mr. Bonnor Maurice, the solicitor who instructs me, says he assumes it will be at the expense of the Company generally. There has been a meeting of shareholders.

Chairman.] Although there has been a general meeting, I do not understand that they instructed you.

Mr. Pember.] I take it that the committee of directors, apart from the concessionnaires, have instructed me to represent the shareholders who have bought their shares in the open market. In fact the Company would be, so far as I am concerned, the shareholders and directors, other than the concessionnaires.

Chairman.] The House of Commons have given you permission to appear. What do you wish to cross-examine to?

Mr. Pember.] The principal thing I was asking to do at this moment was to get admitted now, which I think is a convenient moment for doing it, certain extracts of proceedings of His Highness the Nizam's Government of the 9th March 1887, or rather I ought to say the question of the introduction, of which you postponed a few days ago. This is an extract from the proceedings of the 9th March 1887, which is the basis of that large document which you read of Abdul Huk. You will remember it recited these proceedings of the Home Office at Hyderabad. That was the only letter.

Chairman.] Is this what you wish to put in?

Mr. Barber.] Yes. Then with reference to this brown book, I quite appreciate the position the Committee take up about it, as far as it was put forward by Sir Horace Davey. There is one view of it that I should ask you to consider, although it would not be evidence for certain purposes, but it might or might not be fair evidence, of the fact that at a certain date the Government of the Nizam were put upon notice of certain statements contained in it.

Chairman.] No, unless you have documents which you can prove *aliunde*, we cannot take that book because Abdul Huk publishes it.

Mr. Pember.] No; but I assume that certain parts of this brown book could be referred to, not for the purpose of proving what it says, but for the purpose of proving that the Government had notice at a certain date.

Chairman.] At present the Committee do not receive that book. Can you identify that document?

Mr. Pember.] You will perhaps leave that point open for me.

2765. Chairman (to the Witness).] First, can you identify that document. Ask him if he knows anything about the original of that document? (*Handing a document to the Witness*). He says the draft of this was sent to him originally.

2766. By whom?—Very probably the Minister gave it to him for his opinion, but as all the documents referred to in this were not with the draft at the time he wrote back officially, and said he could not give his opinion until he had seen all the papers in the case.

2767. For what purpose was it sent to him, probably by the Minister?—So far as he remembers it was as to the diamond fields.

2768. What

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2768. What is the stamp on the face of the document, or the end of Hyderabad Deccan Mining Company, Limited.

Chairman.] This purports to be a document sent by Sir Salar Jung.

Mr. Pember.] Sent by Sir Salar Jung to this gentleman.

Chairman.] What date was this sent to him?

Sir Richard Temple.] This document may be signed by Abdul Huk, but it was sent to him by the Minister for opinion.

Chairman.] I think the Witness having said he has seen the original document, he may look at this document, but the Committee will not for a moment accept its contents.

Mr. Pember.] The worth of it afterwards, of course, will be matter for your determination.

Chairman.] The Committee will not object to look at this document.

Mr. Pember.] You will forgive me for venturing to ask you this question: while I was out of the room something was said about whether the memorandum of association was sent, and at what time?

Chairman.] Mr. Whitehead says he has not got it. It has not been brought over.

2769. Mr. Pember.] Might I ask the Witness who stated that the certificate of registration was sent over, if the memorandum of association and agreements of the 16th and 17th August 1886 were sent at the same time?—He does not know. He was not acquainted with this until just as he was coming away.

2770. May I ask him this question, whether or not the Government of the Nizam approves the manner in which the Company are conducting their present operations?—

Chairman.] Whom do you mean by the Government?

Mr. Pember.] The Government of the Deccan, the Nizam's Government.

Chairman.] Do you mean whether in their own breasts they approve it, or whether they have communicated such approval to the Company.

Mr. Pember.] Whether in their own breasts they approved it?

Chairman.] No, I think not.

Mr. Pember.] May I ask this question, whether or not they think the Company is doing a useful thing in developing the resources of the Company?

Chairman.] You may ask him whether, in his opinion, that is so.

2771. Mr. Pember.] Will you kindly ask whether, in his opinion, the Company is doing useful work in developing the resources of the Deccan?—He says he has only seen the Singareni Coal-field, and all he can say is that the coal produced is less than what used to be done before.

2772. Chairman.] What do you mean by before?—A few months ago.

2773. Sir Richard Temple.] He also added, in explanation, there comes out less coal than used to come?—Yes.

2774. Than formerly?—About four months before.

2775. Mr. Bristowe.] Do you mean before the formation of the Company?—No; he used the coal-fields twice.

2776. Does he mean to say there is less comes out than before this Company was formed?—No.

2777. Chairman.] Ask him whether there was any working at all at Singareni coal-

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held before the Company was formed?—He does not know. It was known there was coal at Singareni. All he knows is that Singareni coal was notorious.

2778. Mr. Labouchere.] What was the precise position of Abdul Huk in the Ministry?—Abdul Huk was only Secretary in the Home Department and Director of Railways and Mines.

2779. Do we understand that secretary means like our Secretary of the Home Department, or a secretary?—He says, I do not know anything about the Secretary of State in England, but he is like one of the secretaries we have in India in the Indian Government.

2780. Was he at the head of the Department?—He says he was practically head of the Department.

2781. The head of the Home Department?—Practically.

2782. And the head of the Mining Department?—Yes.

2783. Would he take decisions on his own initiative up to a certain point?—Yes.

2784. What was the age of Sir Salar Jung the younger when he was Prime Minister, and when the mining concession was granted?—About 22 or 23.

2785. Mr. Slagg.] I should like to ask whether, in your opinion, the Residency officials knew the concessionnaires were to obtain 850,000 l. out of this capital of one million?—The Residency officials would know best; he does not know.

2786. I asked if it was possible to give me his opinion whether they had that knowledge or not?—I think not.

2787. Sir Richard Temple.] Will you ask him, so far as he knows, was any report of that kind made to the Residency?—So far as I know, not, and if it was proposed in any document or paper, it may have been so brought in that it may have passed without notice.

2788. Mr. Labouchere.] We have heard a good deal about a memorandum in 1887, in which a statement was made to Colonel Marshall that 85,000 shares had been given to the concessionnaires by themselves or by the Company. To whom was that memorandum addressed. I did not quite understand. The memorandum was secret and confidential, but to whom was it addressed?—He says it was addressed to nobody, but the object was that it should be submitted to His Highness.

2789. Submitted to His Highness by Colonel Marshall?—By Abdul Huk to Colonel Marshall.

2790. Then it was submitted to His Highness by Abdul Huk, not by the Ministry?—No.

2791. There was no Minister concerned in it?—No; it did not pass through any Council of State at the time. There was no Minister at the time. Sir Salar Jung had resigned, and Sir Arman Jah the Minister elected had come here for the Jubilee, and so His Highness himself was conducting the affairs of State at the time.

2792. What was the age of His Highness?—The Nawab also wishes to observe that when Abdul Huk mentioned something about the 85,000 l. fully paid shares in the memorandum of the 9th March, because Sir Salar Jung was then Minister, he did not enter so fully into the whole circumstances of the case as regards the fully paid shares as he did subsequently in May when there was no Minister.

2793. So that so far as the Nawab knows, Sir Ashan Jah and the Ministry knew absolutely nothing of these 85,000 shares being paid. Sir Ashan Jah knew nothing at all, and he thinks very probably Sir Salar Jung knew nothing either.

2794. Then there is another document which we have had, in which it was stated that there was an enclosure in the letter addressed by Sir Salar Jung the elder in December 1881, allowing Abdul Huk to receive a commission. To whom was that enclosed by Sir Salar Jung? We have had one of the documents subsequently put in, in which it is stated that this letter was enclosed, and I think it was addressed to Sir Salar Jung the younger by Abdul Huk?—

He

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He says that he does not remember it; it is very likely mentioned in the telegram that was handed in.

2795. Chairman.] Will you ask the Nawab when he left India?—On the 3rd May.

2796. Up to that time had he heard of the discovery of any diamonds or gold within the terms of this concession?—Yes, he said about four or five small diamonds had been found before then.

2797. Sir Richard Temple.] Was any gold found?—No, gold had not been found, but there was hope held out that it would be found.

2798. Mr. Slagg.] I want to ask the Witness whether before the formation of this Company the mineral and other resources of the State had not been examined and reported upon?—He says the diamond mines were known to everybody. The coal had been first of all exploited for by one, Mr. Heenan in his Highness's service, and he had reported upon it.

2799. Was there not full knowledge on the part of the Nizam's advisers of everything relating to the mineral resources long before this Company was formed?—I do not quite understand the expression, the Nizam's Government; but perhaps Sir Sajar Jung may have known it or may not have known it; the present Sir Salar Jung.

2800. I wish to ascertain whether the reports and explorations made on behalf of the Company added anything to the existing knowledge of the Nizam's officials with regard to the mineral resources of the country?—He says probably the Company knew, but the general public did not know anything.

2801. Or the Government knew?—He says the Minister also knew very little. Abdul Huk was in the habit of drafting out these resolutions, printing them, and then forwarding them to the Minister, through the private secretary, and then they only got these ordinary papers, and they were sent on to the Resident. Ashan Jah, the present Minister, objected to this, and gave directions to Abdul Huk that when the memorandum was first submitted to him, it was not to be printed. Abdul Huk did not obey these orders. He said it was known before, but he does not know whether much addition to the knowledge was made.

2802. Sir Richard Temple.] Has he not also said that the diamond mines were known from history?—The Golconda Mines are famous.

2803. From history?—Yes.

2804. Mr. Slagg.] Everything that related to these resources was within the knowledge of the Nizam's Government long before the concession was made.—The Nizam's Government is supposed to be the Prime Minister, only, he says, "I do not know myself whether he knew it or not, because nobody else was consulted in this matter.

2805. The officials to whose department this information belonged?—He says the officials were not consulted, and this would, of course, naturally be the Home Department.

2806. Sir Richard Temple.] He has not understood the question. What Mr. Slagg asks is whether the condition of these mineral resources, that is of the coal mines, and of the diamond mines, was not known to the officials of Hyderabad before this Company was formed; the various Sirdars and people who make up the State?—Yes, the officials knew it, but the officials were not consulted on this matter; and, as regards the Minister himself, he does not know whether he knew it or not.

2807. Mr. McLagan.] Was it not the fact that the minerals were reported on by a Hungarian before this Company was in existence?—I do not remember.

Mr. Mayne.] May I ask whether Mr. Labouchere's question may be answered, as to the age of the present Nizam at the time the transactions were going on.

2808. Chairman.] What is the age of the Nizam, about?—In February 1884 he was about 17 years and six months' old.

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Mr. WILLIAM CLARENCE WATSON; recalled:

Mr. Mayne.] I SHOULD like to ask a question about those telegrams that you put to the Witness dated October 1881, and whether he has since been able to refresh his memory as to this.

Chairman.] I think there is further information given which will enable the Committee to deal with that question.

Mr. Mayne.] I want to ask him as to an agreement between himself and the Nizam's Government about railway transactions dated the 27th December 1883.

Chairman.] Will you ask for the production of it?

2809. Mr. Mayne.] Have you got a document between yourself and the Nizam's Government? Just look at that document (*handing same to Witness*).—This is the contract between the Railway Company and the Government and me, for insuring a million and-a-half of the capital of the railway.

2810. You did enter into an agreement of which that is the copy?—Yes; at least I have not compared it. I entered into an agreement.

2811. That is a copy of it?—Possibly, I do not know.

Mr. Cripps.] The original can be produced.

2812. Mr. Mayne.] Did you see Abdul Huk's letter of authorisation, dated 30th March 1883, while he was negotiating with you?—I only saw a certain portion of it.

2813. You did not see the document itself?—I do not think I did.

2814. And you did not ask for it?—Yes, I asked to see it. I am not sure whether I did not see it at the railway company's with the director's once.

2815. Now, another point I want to ask you, for the information of the Committee. As to these original shares, I see that Mr. Winter was an original shareholder for 100 shares. He transferred his 100 shares to you on the 5th October 1886; why was that?—He returned them to me.

Chairman.] We do not think that we can go into that matter. The Company followed that up to the extent they thought proper. If you have any new facts which bear upon it we shall be glad to hear them, but it does not particularly belong to the Hyderabad Governments' view.

2816. Mr. Mayne.] Now about the transaction for the sale of shares. I understood from you at the last meeting that the first you heard about it was that you got Abdul Huk's letter of the 7th June from the Alexandra Hotel?—My recollection was that the first I heard of it was the day before that. I think I said that was my recollection, and is my recollection now of this telegram. I recollect some telegram about taking rooms, and it may be there, but I cannot tell. I will look at them and see if I have any telegram.

2817. Can you be certain, or is it merely that your mind is a blank on the point, whether in May you received a telegram from Abdul Huk asking you to purchase, stating that he was authorised to purchase 10,000 shares?—I do not recollect it at the moment. I shall have to refer. I do not recollect it.

2818. Now the telegram we put to you as having been sent to you, is in these words, "Huk to W. C. Watson, 7, Great Winchester-street, London, 10th May, 1883?"—

Chairman.] That has been put already, you need not read it again.

2819. Mr. Mayne.] Did you or not receive a telegram to that effect?—I tell you I do not recollect for a moment; I must refer. It has quite gone out of my memory if I did. Without reference to my telegrams and looking, I cannot tell you.

2820. The answer was put to you, you were shown what purported to be the answer. Can you say whether in point of fact you did send such an answer?

—I tell

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—I tell you, Sir, I quite forget it. I will refresh my memory by looking telegrams up if I have them, but so far I do not recollect it.

2821. You would have those telegrams if they existed?—If they exist, I shall have them undoubtedly.

2822. Abdul Huk, after the exchange of the letters between you and him in reference to the shares, did, in fact, telegram to his Government?—He informed me that he had telegraphed the transaction to his Government.

2823. Did he send the telegram from your office?—No, not that I am aware of.

2824. Did he ever show you a copy of a telegram he sent?—No.

Mr. Littler.] I am going to ask you this, Sir. Of course, Mr. Watson is as largely interested as anybody in the result of this inquiry, and it is quite possible that any witnesses, who may be called upon hereafter, may say something which I should desire, with the permission of the Committee to answer. I seems to me, I will not say a fair way, but the way which would most conduce to Mr. Watson's right interest, if you would allow me to ask such questions, as I am permitted to ask, at a later stage of the inquiry.

Chairman.] I think you had better proceed. Mr. Watson may never be re-called. You had better proceed, and ask any questions you have now on his statement. This will apply to other witnesses. The Committee must proceed with this inquiry properly, and you must please ask any questions you think proper, but the Committee wish to point out that, in asking the questions you are about to ask, the Committee want your assistance as regards any new facts affecting this inquiry, but they do not wish you to proceed as if it was a case *inter partes*.

Mr. Littler.] I do not propose to do anything more than to give new facts. That is exactly what I propose to do.

2825. As I happen to have this crown book in my hand, when did you first see that. About how long ago?—A few days ago.

2826. Had you not seen it, or a copy of it, before then?—No.

2827. Only just within the last few days?—No.

2828. You, I think, have prepared, have not you, as nearly as you can in the form which you promised to give the other day, the figures relating to the railway?—Yes.

2829. And you have had those printed for the assistance of the Committee?—Yes.

2830. Will you kindly hand them in, and then I will not trouble about examining you upon them. You have endeavoured, have you not, to carry out the instructions of the Right Honourable Chairman as to providing all the transfers?—Yes.

2831. Have you been able to finish it?—No; I cannot do it without the use of the Company's books, and I have not been able to have them.

2832. I think the Secretary of the Company was busy preparing some other returns which the Company wanted?—Yes; I have got a couple of headings, that is all. I cannot do that without the Company's books.

2833. As soon as you can possibly finish them you will furnish them?—Certainly.

2834. When this matter was before you, did you try to make yourself acquainted with the various minerals in the Nizam's district?—Certainly I did.

2835. Amongst others, I think you obtained a copy, which I have in my hand, of a memorandum made by Mr. T. M. H. Johnstone, Member of the Institution of Civil Engineers, addressed to Sir Salar Jung as Prime Minister in July 1871?—Yes.

2836. You studied that document?—Yes, I read it carefully.

2837. Perhaps you will hand that to the Right Honourable Chairman; did you also obtain another document which is entitled, "The Coalfields Branch from G. F. H. Heenan, Superintendent Commun Coalfield, to Mr. H. Wilkinson, Secretary to the Government Hyderabad Public Works Department;" this is a *resumé* on the coal in His Highness the Nizam's dominions?—Yes.

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[Continued.]

3. That you also carefully studied?—Very carefully.

2839. That appears to be dated 6th October 1875?—Yes. This is where bring out the large quantity of coal, 46,000,000 tons.

2840. Did you also study this Currybud Valley Coalfields, with some remarks on Indian coal, by Walter Sayce, which is an excerpt from the proceedings of the North of England Institute of Mining Engineers, dated 9th June 1880?—Yes. I also very carefully read Bull's book, and made myself as well acquainted as I could with the resources.

2841. Is that the two-volume book which was in the room on the first day?—Yes.

2842. There are two volumes of the book from which you supplied me with certain extracts, which are called "The Resources of the Nizam's Dominions"?—Yes; "A Historical and Descriptive Sketch of His Highness the Nizam's Dominions."

2843. Is that a book published by authority, or is it by a well-known mining author?—A well-known geologist.

2844. Do these books shortly contain statements of the volume of the various mineral products in His Highness's dominions?—Yes.

Sir Richard Temple.] Mr. Sayce says the Currybud Coal Mines are in the East India Railway Company's district. The writer begins, "The East India Railway Company owns the greater part of these coalfields."

Mr. Littler.] I think you will find, speaking from memory, that that does deal with several of the other coalfields, which you will find are within His Highness's dominions.

Sir Richard Temple.] But the Currybud Coalfield is not within our area.

2845. Mr. Littler.] Now did you study not merely the coalfield but the diamond prospects and the gold prospects and other minerals?—So far as I could gather from these various books which I got. I got all the information I could on the subject.

2846. Did you form a judgment with regard to the value?—Yes, it was most difficult to form a judgment. The difficulties seemed so enormous over these various things.

2847. When you had formed that judgment; I do not trouble you with any of the details; but did you anticipate the property turning to account so rapidly as it did?—I never anticipated the shares coming to value so quickly. It was a great surprise to me. I thought we might have to wait for a year, or a couple of years, to develop the property before they would become valuable.

2848. At the time that you made the arrangement that you were to have the 850,000 *l.* in paper, had you any document before you which led you to suppose that either the Indian Government or His Highness's Government had any objection to that course?—None whatever.

2849. Had you any reason at that time to doubt Abdul Huk's position?—

Chairman.] That is just the question which the Committee think ought to be avoided. You must go to any new facts of the case.

2850. Mr. Littler.] So far as you now know, is there any difficulty about completing all the work for the Singareni Coalfield, and also doing all the prospecting of the other fields within the 150,000 *l.* subscribed?—No, I think the money is ample for the purpose.

2851. I think there is one fact which the Committee have not got. You had also at that time, in July 1886, a report of Mr. Furnival on the mineral concession, had you not?—Yes.

2852. Who is Mr. Furnival?—He was an engineer in the employ of the Government of India who had been sent to the Nizam's Railway as their chief engineer.

2853. I will hand that in?—That is Mr. Furnival's report. That was a report before the formation of the Company.

2854. Obviously

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2854. Obviously from the date, no prospecting had been done by you the 24th July 1886?—No.

2855. Has the subsequent prospecting confirmed or detracted from the report?—Confirmed it in every way.

2856. Is the result in excess of that report or not?—Very much so, I think.

2857. I think there is one fact which is not before the Committee. When the transaction took place in Abdul Huk's shares, did you give any instructions about taking care to have the same number of shares?—Yes, and fixed a special settling day, so that there should be no question of the same shares coming back.

2858. So that every transaction could be traced?—So that every one could be traced.

2859. Notwithstanding there were six brokers, every one of the six broker's transactions could be traced home to the right person?—Yes.

2860. My friends are nervously anxious about the question when the Articles of Association were sent to the Nizam's Government. When were the Articles of Association and the agreement which followed them, the registered agreement, sent to the Nizam's Government?—To the best of my recollection the memorandum and articles were sent, and the agreement I do not recollect, but I think the memorandum and articles were sent with the certificate, and I think the agreement too.

Mr. Labouchere.] You will find it all in Mr. N'Lagan's Return.

Mr. Littler.] I do not think that mentions the Articles of Association; mentions the certificate of 150,000 *l.* At all events we have the fact now.

Chairman.] We have the letter here which sent the certificate. The letter has been put in, and that letter will show whether anything went with it or not.

Mr. Littler.] It does not appear that the articles and memorandum went with it.

Chairman.] According to his memory; but they are not received on the other side.

2861. Mr. Littler.] You say, as far as you remember, the agreement also went at the same time?—All the documents went together.

2862. Had you anything at all to do with the purchase by the Nizam of the shares?—Do you mean in advising the purchase?

2863. Yes?—Nothing whatever.

2864. Was it in the smallest degree in the interest of yourself whether the Nizam bought any shares?—Not the slightest. I thought it was a very good thing for the Company.

2865. In that sense it was?—That is so.

2866. As an advertisement?—As having the Nizam a partner in the business.

Mr. Littler.] I have just got copies of the further reports. We have now a complete set of all the reports after the date of that last one of Mr. Furnival's, from August 1886 downwards.

Chairman.] These are made to your Company?

Mr. Littler.] Some to the Company.

Chairman.] These were tendered the first day by Mr. Pember. They must come from the Company.

Mr. Pember.] I shall be happy to put them in at any moment you think convenient.

2867. Mr. Littler.] When was the time that you discovered that Abdul Huk had not told his Government?—When I arrived home from Constantinople, the end of April, I think Saturday night the 28th April.

2868. Chairman.] What year?—This year.

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2879. Mr. Littler.] I think the way in which you got your knowledge was you saw the Yellow Book issued by Abdul Huk, giving an account of the purchase of the shares?—Yes, I read that on Sunday.

2870. And you saw that it did not disclose the whole transaction?—Yes.

2871. Thereupon did you immediately telegraph to the Prime Minister?—I did.

2872. Mr. Littler.] I do not think you have this telegram?—

Chairman.] It is very immaterial what he telegraphed after the 29th April. The question is what steps Mr. Watson took to show that Abdul Huk had communicated to the Government.

2873. Mr. Littler.] Up to that time had you any reason to suppose that Abdul Huk had not communicated to the Government?—None whatever

2874. Not until you returned to England?—No; I had been away three months.

Chairman.] This transaction took place in 1885, and this inquiry had been ordered on 2nd May in this year.

Mr. Littler.] Do you desire that I should not put it in?

Chairman.] To save time you may read it.

Mr. Littler.] “2nd May 1888. As allegations have been made here that I empowered Abdul Huk to obtain mining concessions, I hasten to inform Government that at commencement of negotiations with Abdul Huk he showed Winter following letter from Regent, 5th January.” Then it sets out that letter of Sir Salar Jung’s. “At the same time Abdul Huk stipulated with Winter for one quarter of concession when obtained, to which Winter agreed, and after Company was formed Abdul Huk received from Winter one quarter of Company’s shares, when Abdul Huk last year instructed me to purchase shares for Government at 12½ which I was unable to procure so many at that price.”

Chairman.] Is not this the evidence Mr. Watson has given to us? What he communicated to the Government on the 2nd May is not material. He has been telling us this for the last two days.

2875. Mr. Littler.] I want to ask you two questions: Throughout this matter from first to last have you ever had any complaint from the Nizam’s Government?—Never.

2876. Have you had any single complaint from any present shareholder, or any purchaser of shares?—None.

2877. You know Mr. Rock, the Nizam’s agent in England?—Yes.

2878. Did you at any time inform him that Abdul Huk had part of the shares?—I believe I informed him almost immediately after the formation of the Company.

2879. At all events, some time ago?—Oh, yes; I am sure I think I told him that he had the shares.

2880. Chairman.] When? Is Mr. Rock in existence?

2881. Mr. Littler.] Is Mr. Rock in England now?—He was here. He is the agent of the Government, and he has been with these gentlemen here.

2882. The exact date of the communication is important?—It was a verbal communication somewhere about October or November 1886.

2883. Is there any pretence for saying that you have in any way concealed this matter?—Not the slightest.

2884. Is there any pretence that you have either bought shares or sold shares to do what is commonly called “rig” the market?—Never.

Chairman.] The certificate and the copy of registration you handed in this morning, and I think you handed me a letter.

Mr. Mayne.] The accompanying letter of the 25th August 1886.

Chairman.]

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Chairman.] I have got the indorsement on the letter, and it is “We beg to send you herewith an official copy of certificate of regist. of the Company, and a certificate of the National Provincial Bank. England that the 150,000 £. has been subscribed, and the 75,000 £. paid up. These are the documents referred to, but there are no Articles of Association mentioned.

Mr. Littler.] No, that is why I think it has been proved. We have only the proof of this. One of the Members of the Committee asked for a statement of expenses as to the railway. You have got the sum total.

Chairman.] I understand that is the Paper which was handed in.

Mr. Littler.] No, we were ordered to prepare it at the last moment.

2884*. Mr. Bristowe.] The idea of forming a company of 1,000,000 £. did not emanate from you, I think. I think, according to the papers, it emanated from the agent of the Government?—I can scarcely say who it emanated from; it always appeared in the original and right through, “Capital 1,000,000 £.”

2885. I read it that the proposal did not come from you?—Not our original proposal? It came from us in November 1882.

2886. Mr. Labouchere.] In this statement you have just put in of the 100,000 £., you put down 7,776 £. law charges and expenses in England and India. That, I presume, is paid to your brother-in-law?—No, it included Bircham and Company.

2887. How much did they get?—Is it fair to give their items?

2888. Why not? It is between them and your brother-in-law?—Their fee was 2,000 £.

2889. What for?—For their services in the railway company.

2890. Then the rest went to your brother-in-law?—No, it went to a firm in Bombay.

2891. That was the firm of your brother-in-law?—They got 1,000 £., and the balance for Mr. Winter, and his expenses travelling to and from India.

2892. Bircham & Co. got 2,000 £., Preston & Winter got 1,000 £., and the balance was got by your brother-in-law?—Yes, those figures are correct.

2893. Dealing with actualities at the present moment, the Nizam has guaranteed 150,000 £. per annum on this railroad, has he not?—Yes.

2894. And he has to pay, owing to that guarantee 100,000 £.?—That statement is quite correct.

2895. With regard to the coal, the Singareni coal is now producing 150 tons per week?—Yes.

2896. Never mind about the future?—The reason of that is this—

2897. I do not ask the reason?—I think I ought to give the reason. Underground workings are now being made, and colliery roads are now being made, and the business at the moment is not to extract so much coal, but to open out the underground workings, so that in a short time a large and continuous supply can be got out of the mine.

2898. Dealing with actualities, it is producing 150 tons a week?—Yes.

2899. Your diamantiferous zone is a large one, but it has produced only one diamond worth 30 s. up to now?—According to the new account it has produced nothing for the reason that they have not been able to work it. Five stones were found by natives out of refuse heaps, which were simply communicated that they did still exist. The working has been stopped by cholera, and about one thousand men bolted, they have now got at this moment about 900 men who are now working, and any day we may receive information.

2900. There have been found five diamonds in some refuse?—Yes.

2901. What would be the total value of those?—It was put in the reports practically nil.

2902. Now the auriferous part, that has, I think produced nothing?—It has only just lately been clearly discovered.

2903. It is producing nothing?—No.

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2904. That is the actuality of the situation?—The actuality is that a large field has been discovered which can be blocked out and can be realized.

2905. It has produced nothing?—The gold is there.

2906. You derive your opinions, as to the vast value of these properties from the reports?—Yes.

2907. Those are the reports of Mr. Levinski and Mr. Hughes?—And the general prospecting staff there, and those are reduced by an expert here, Mr. Morgan, who is prepared to give his evidence.

2908. Mr. Morgan is paid by the Company?—Yes.

2909. Mr. Hughes is paid by the Company?—Yes.

2910. The expert here is paid by the Company?—Yes.

2911. So that these reports are by the paid officials of the Company?—Yes, all respectable men.

2912. You say now, that the Company may sell the mine, or issue additional capital, in order to get additional capital for the mine when you take up the leases?—Yes.

2913. That I gather from you?—Yes.

2914. Have you read the concession?—Yes.

2915. You know it, I presume. Will you look at Clause 3. "The first object of the Company thus constituted will be to work the coal-fields at Singareni. They will when duly constituted arrange, as specified in Clauses 4 to 12 below, for the occupation of the site, and the opening up the mine in such a manner that they will be in a position to supply (if so required) not less than 500 tons of good coal per week by the date of the opening of the railway communication to either Hyderabad or Beznara, or by the 30th June 1888 at latest. Then you have a few days still?—Yes, they have supplied some 5,000 or 6,000 tons already.

2916. On the Singareni you pay a fixed royalty, do you not?—Yes.

2917. Would you be good enough to look at Clause 11. This clause refers to all leases that you take up?—Yes.

2918. Either you or your nominees?—Yes.

2919. "Every lease shall reserve, by way of rent royalties on the amount of coal, raw, ore material, or substances won, and such royalties shall be fixed by agreement between a mining engineer to be appointed by the lessee, or, in default of this agreement, by an experienced engineer in India or England, to be appointed by the Government of India, which said engineers and engineer respectively are hereinafter called the Mining Board, and the said Mining Board, in fixing such royalties, shall have regard to the quality of the coal, or of the ore, material, or substances to be worked (as for example, in the case of iron, whether hematite, oxides, carbonates, or otherwise), the percentage of metal in the ore, the selling prices in England and India of coal, iron, or other substance in question, the cost of carriage, and all other circumstances; and so that the fixing or determining of such royalties shall be based and founded on the general principles of a fair rent. The Company may, if threatened by loss by the commodities being unsaleable, be at liberty, by giving a year's notice, to transfer to the Government such mines as they are unable to work profitably." That is correctly read, is it not?—Yes.

2920. As I understand that clause, you ask for the lease of the mine, either you or your nominees, and the lease of the mine is then granted to you, and after that the royalty is fixed?—It is fixed in the lease, I should say, reading this, "Every lease shall reserve."

2921. If you hold to that we shall have to look back?—I am not a lawyer, and I cannot tell.

2922. I will go into that afterwards, because I think we shall show you, but it is a legal question. Do you understand what the meaning of a fair rent is?—A fair rent would carry one meaning.

2923. What?—To be a fair rent.

2924. Supposing you have got a farm and you give me a contract by which you engage to hold it to me or my nominees at a fair rent, that rent would be all in excess of a fair return upon the money I invest in it, would it not?—I do not know; it might or might not be. I could not define what a fair rent is, except the very term itself "fair rent."

2925. A fair

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2925. A fair rent is all excess after a fair return to the person who works the farm, mine, or whatever it may be?—That may or may not be.

2926. You have read the Debates upon the Irish rents, have you not?—No.

2927. I think that is generally admitted to be a fair rent. You talked about selling the gold fields for millions, did you not?—Yes; I think we shall be able to do so eventually.

2928. You think you will be able to sell them for millions?—Yes.

2929. You would sell them to a company?—Or work them; utilise them generally.

2930. It comes to the same in principle. If you sold them to a company you would sell them for millions in respect of its shares or cash, whichever it may be?—It would depend entirely upon the arrangements at the time.

2931. If you say that you would sell them for millions you could only sell them to companies?—To the various companies in blocks.

2932. These companies would have to raise their working capital, would they not?—Certainly.

2933. Assume the working capital of a gold-field is 200,000 £, and you sell that gold-field for a million sterling (I am assuming figures), do you mean to tell me that a fair rent would not commence after a fair return on the 200,000 £, and you only commence after a return on the 1,200,000 £ as you had chosen to sell this?—No; the royalties or rents would be fixed at the time the lease was granted, that is my view.

2934. We will go into that afterwards. Would not the rent be all in excess of a fair return to the persons who work the mine?—I should say the rent or royalty would be fixed on the basis of any mines existing in the neighbourhood. If it went to Mysore, that might be taken as a criterion.

2935. You would not take as a criterion coal-fields in England?—If you did then you would have to reduce the royalty of the Nizam.

2936. With the next coal-field?—Yes.

2937. Can you tell me whether it is the rule in England, that a person who takes a coal-field can sell it to his neighbour for a million sterling?—I do not know; if it is worth the money, yes.

2938. Would not the proprietor keep that and raise the royalty?—It depends entirely on what terms he granted it.

2939. If he had only given a contract to grant it on terms equivalent to a fair rent, do you think he would have allowed the person to put a million sterling into his pocket in selling it again to a company?—I do not see that there is any analogy whatever in this case with your argument.

2940. It seems to me precisely analogous. Can you sell this mine to a company for a million without using what is to be obtained by the Company as the basis of a fair rent to be paid to the Nizam?—I really do not see what the question is.

2941. I tell you it is as plain as a pikestaff. The question is this. Supposing that you sell this mine for a million sterling to a company?—You mean the new mine that you have discovered?

2942. A new mine discovered?—We can sell it at whatever we like.

2943. What are you selling at?—You say, "Supposing we discovered a mine." The question has a supposition in it.

2944. You have discovered a gold mine?—Your argument assumes a supposition.

2945. Supposing you sold it to a company?—The company would say, we will buy it.

2946. What do you sell?—We sell the mine.

2947. You sell it subject to a fair rent to be paid to the Nizam's Government?—Yes.

2948. How can you sell for a million sterling; the Nizam would insist on his fair rent?—If we can get anyone to buy, why should we not.

2949. You mean, if you can get a fool who does not read this?—No; we say a wise man who does read it.

2950. Now, about this fair rent, you say it would be settled before, do you not?—I should think it would be settled with the lease.

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[Continued.]

2951. Can you show me any statement to show that?—I see nothing to the contrary.

2952. I think I can show you something to the contrary.—This is a letter from your agent, Mr. Winter, to Sir Salar Jung, and the date is the 16th December 1884. It appears that he states this: "As to royalties payable. The draft leaves this to be settled in every case and from time to time by a mining board. The proposal names certain fixed royalties, and it is obvious, with a scale of royalties at present unknown, and which may be from time to time altered, the concessionnaires are dealing with an unknown quantity of such great importance that it is doubtful whether they could form any company that would undertake the mining on these terms." In the first proposal made by you, you put down certain royalties, did you not?—In November 1882?

2953. Yes?—Yes.

2954. The draft proposal made an alteration, and said those royalties would be subsequently settled?—That was White and Borretts' draft.

2955. Practically I have read Clause 11; it is that clause?—Probably that would be so.

2956. It is with the exception of the words, "from time to time"; and yet you have your own agent, Mr. Winter, saying if that be the case it would render it absolutely impossible for you to sell it to a company?—I have no doubt he was trying to negotiate as well as he could for us, and trying to get fixed royalties. It would be a reasonable way of doing it.

2957. You say Mr. Winter did not mean it when he says, "It is doubtful whether he could find any company which could undertake the mine on these terms"?—I do not say he meant it. He was negotiating at the time.

2958. Now, will you look at Clause 15, which is this: "The concessionnaires, their executors or administrators, or their servants (other than natives of India), shall not, nor shall the said Company or its servants (other than natives of India); nor shall such natives, by the permission or sufferance of the concessionnaires, their executors and administrators, or of the said Company, have any monetary transactions with the Government of His Highness the Nizam, or the nobles, jaghirdars, jamadars, zamendars, or other officials of the Hyderabad State beyond those provided for in these presents." The monetary transaction that you had with Abdul Huk is not provided for in those presents?—Which transaction do you mean? His shares?

2959. Yes?—Certainly, I take it that the Regent's letter covers that.

2960. It is not provided in these presents?—We never had any relation then.

2961. No relation; you paid over the shares?—That is part of the original agreement.

2962. You did pay over the shares to Abdul Huk?—Of course we could not do otherwise.

2963. You do not call that a monetary transaction?—I do not call that under this article in the slightest degree.

2964. You admit that as a monetary transaction?—Scarcely; it was handing over a portion of the shares to which he was entitled.

2965. That is a monetary transaction?—Scarcely.

2966. Sir Richard Temple.] Would you kindly look at that report entitled Kirbuddy Gold Fields, with what object was that report handed in to this Committee?—Simply to show that I had looked about in every way to see what the ordinary working of Indian coal was and what the value was.

2967. Had that report any connection with the Nizam's territories?—Not that I am aware of; it was simply for Indian coal generally.

2968. Are you aware that the Kirbuddy is distant about 500 miles from the Nizam's dominions?—Yes, I should think it is fully that.

2969. In reference to your answers at the last meeting about the development of the railway system in the Nizam's dominions, are you aware that those dominions are surrounded on all four sides by British territories?—Yes.

2970. On three of which sides the dominions are touched by British railways?—Yes, and these railways will make connections with them to use their lines.

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[Continued.]

lines. That is the object of the system, shortening the route very much from Madras to Bombay, and from Calcutta to certain parts of India.

2971. In reference to Mr. Hughes's reports about the gold mines, have you observed that in several places he speaks of old mines?—Old workings; and I am informed that is the best indication that the mines are valuable.

2972. Have you observed the gold working experience of the neighbouring territory of Mysore and Wynaad?—No.

2973. Have you not heard?—No, I know the companies exist, but I never had any interest in them, therefore I do not trouble about them.

2974. Have they proved profitable?—I believe so; I have no interest in them, I have never looked. I have plenty to do without that.

2975. I have not their experiences weighed with you as to the prospects of gold mining in India?—I have not studied their experience. What we should certainly do is to use their experience so that we should not fall into the same errors as they have. That would be the benefit of their experience. If they have made any mistakes, some should profit by them, and not fall into the same.

2976. Are you aware that their want of success is attributable to the fact that they have got nothing but the workings to go upon?—No, I am not.

2977. In reference to your answers in the concluding part of last sitting, I should like to ask you this: Is it right that out of the nominal capital of one million, three-quarters should go as promotion money to be used for the separate use of the promoters of the Company?—I think it is quite right that the concessionnaires should sell their concessions for the amount they did, and I think the public got full value for their money.

2978. You mean to say, that in your opinion, it is right that out of the nominal capital to be subscribed for an industrial enterprise, three quarters or more should be appropriated by certain of the directors as separate from the working of the Company?—The concessionnaires sell their concession for the price they fix for it. If they are entitled to do so, they are entitled to the money, and the property was worth the money; therefore, no one suffered by it. As regards the raising of further capital for working, that is not injured in the slightest degree by it.

2979. How do you make out that the property is worth the money?—By all the reports we have got, and we can bring our expert in to prove it.

2980. Is that worth shown by the reports of Mr. Hughes, regarding the so-called aniferous strata?—I think so.

2981. And by the reports of Mr. Levinski and others?—The reports we have of the diamond mines as yet, only prove the existence of the diamentiferous strata. They have not yet been able to wash, therefore we cannot prove what the value of that strata is; therefore, we cannot go farther than that. Coals we have certainly proved are worth a lot of money.

2982. What do you mean by a lot of money?—I think half-a-million, Singareni is worth to-day,

2983. That is to say, Singareni is worth half-a-million of money?—Yes.

2984. What do you mean by Singareni?—Singareni coal-field.

2985. What is its annual income now?—Very little; that has to be developed. By next year we shall be able to answer that question.

2986. Then if the present income is very little, and it has got to be developed, how do you make out it is worth half-a-million of money?—Because we have proved it, and when you are in this stage you do not expect to get anything; but when you have proved everything, and have your machinery there, and are turning out your coals and selling it, then you are able to get your value. Probably, if we worked this for three or four years, we should treble that money.

2987. What is Mr. Furnival's position?—Mr. Furnival is the agent and chief engineer of the railway company, and the agent of our Deccan Company. He was originally, I think, chief engineer, or something, to the Government of India, and was lent to our Company.

2988. He is now in the pay of the Company?—Yes.

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2989. And

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[Continued.]

2989. And of the Company alone?—No, he is in the pay of both companies; the railway company and the mining company.

2990. Of those companies alone?—Yes.

2991. Besides the gentlemen who signed these reports, Mr. Hughes, Mr. Furnival, Mr. Levinski, and others, all these gentlemen are in the pay of the Company?—They are the Company's servants; they are the proper people to report to the Company. You cannot get outsiders to do it for nothing.

2992. Besides these witnesses, who are the paid servants of the Company, is there any other independent witness, or any kind of external evidence whatever regarding the value or the productiveness of these mines?—Yes, I have handed in some reports which go to prove it.

2993. Which?—You will find I have handed in that book, Heenan's, for the coal.

2994. And who else?—There is another book I handed in, a small white paper book.

2995. Those two books relate to the coal, do they not?—And relate to other things. Those are for the coal.

2996. Mr. Harvey Johnston speaks to coal?—And iron, I think, they cover as well; I am not certain.

2997. As regards the diamonds and the coal, I ask again, is there any independent witness or any external evidence whatever, beyond the paid servants of the Company?—No; we are relying entirely on our own men. Mr. Hughes, you may take it, is the Geological Surveyor of the Government of India. I think he is fairly independent. He is chief of the Geological Survey of the Government of India.

2998. Is he not in the pay of the Company?—He is in the pay of the Company, but being in the pay of the Company cannot detract from his being an officer of the highest standing in the Government of India.

2999. Is he in the service of the Government of India?—Yes; he is lent by the Government of India to us. It is in his report.

3000. Is he still a servant of the Government?—Yes.

3001. How long has he been a servant of the Company?—About a year, or a year and a half.

3002. He has not retired from the service?—No.

3003. But he is now in the pay of the Company?—He is now in the pay of the Company. We pay him the same as he is paid by the Government of India, certain allowances which they fix themselves.

3004. He has been with you a year and a-half?—Yes.

3005. Is he engaged for a term of service?—No, he is simply lent us. The Government of India can take him when they like.

3006. He is lent to you for as long as you choose to keep him?—They can do as they like.

3007. Can you keep him as long as you like?—We have got him so far.

3008. Is there any condition of his service between you and the Government?—They have lent him to us.

3009. In the meantime he is paid by the Company?—He is paid by the Company, and he is the highest official in the Geological Survey of the Government.

3010. What is his title?—Superintendent of the Geological Survey of the Government of India at Calcutta. He is the highest authority in India, and it is on his reports of the gold that we are going.

3011. Mr. *M'Lagan*.] Do you say the public got the value for their money when they paid 1,000,000 *l.* for mines. What calculations did you make in arriving at that estimate?—The concession being enormous, and on the report we had at the time, and on the general prospect of the gold, and the lode of copper and mica, and various other things which we were informed at the time must be worth something.

3012. You must have calculated what percentage you would have got for that 150,000 *l.*?—We calculated on the 1,000,000 *l.*

3013. You must have calculated or you must have thought you would get a good

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[Continued.]

good dividend or interest for your money, for 150,000 *l.* What dividend did you expect to get for that 150,000 *l.*?—It is difficult to say. We have rolled it all into the 1,000,000 *l.* I anticipated something like 6 per cent. in a year or two on the whole 1,000,000 *l.*, and gradually increasing as we sold.

3014. In the sale that the public got as value for their money you looked upon it as a speculation?—Generally. I always said it was a speculation. We paid our money, and we might have lost it.

3015. And the public might have got nothing?—Now we know they will.

3016. *Chairman*.] Now the public will do what?—Will get value for their money.

3017. You hope they will?—Not hope; they will; we know they will; the property is developed.

3018. Mr. *M'Lagan*.] We have no facts before us?—We are in that state, that we are getting to the point where we are certain.

3019. You will not say the property is developed for which 1,000,000 *l.* is paid when you are only getting 150 tons a week?—Probably next year we shall begin to pay a dividend.

3020. On these coals?—I hope so, on coals.

3021. What dividend will you pay on that?—We cannot make a calculation at present.

3022. What is the profit on a ton of coals?—About 2 to 3 rupees.

3023. Put that into English money?—About 3 *s.* a ton.

3024. And you want to pay 6 per cent. on 1,000,000 *l.* of money. What would be the out-put of coals required for that?—Three hundred and sixty thousand tons.

3025. Three hundred and sixty thousand tons of coals you expect will be got?—We are informed we shall be able to get out 1,000 tons a day by this time next year.

3026. You must have a great many roads open now and other things?—We are opening a great many now.

3027. Will you have labour for that?—Yes. It has been a great difficulty with us for labour. We were delayed by the railway not being completed until a year after it should have been. We were not able to get our working staff until last January.

3028. It will be a very rapid development of the coal-field?—We have got everything ready.

3029. *Chairman*.] You will be good enough on Friday next to bring to the Committee a full and complete statement of your dealings with shares?—I must do it from the Company's books.

3030. You, from your own books, must know what you sold and the sum you received. The Committee asked you whether you knew anything about these telegrams. You must please produce your cypher and make every inquiry whether these inquiries were made, and what was the answer.

Mr. FITZGERALD, sworn; and Examined.

3031. Mr. *Labouchere*.] You were the acting resident at Hyderabad in September 1885?—Yes, I believe I was in charge while Mr. Cordery was away at Simla.

3032. Had you resided there before?—Yes; I was first assistant, and when the Resident was absent at Simla, I was in charge.

3033. You wrote on that occasion, on the 22nd September 1885, to the Nawab Salar Jung as follows: "Before leaving for Simla Mr. Cordery received a telegram from the Government of India intimating their acceptance of the modifications recommended by him in the draft agreement between his Highness, the Nizam's Government, and Messrs. Watson and Stewart relative to mining rights in the Hyderabad State. The telegram states that a letter on the subject follows. The modifications which the Resident supported were almost identical with those contained in your letter to him of the 10th August. I

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[Continued.]

would therefore suggest to you that in order to save time you should have a fresh draft of the agreement prepared on paper. It would not be necessary to recopy the whole of the draft, but only such parts of it as are affected by the proposals now under discussion. By the time this is ready, I shall have received the letter of the Government of India, and if you would permit Sardar Diler," that is Abdul Huk, "to call upon me with the revised draft, I would go over it with him, clause by clause, to ensure its correctness. It would then be engrossed on parchment, signed by you on behalf of His Highness' Government and forwarded to England for execution by Messrs. Watson. Kindly inform me if you agree to this course being followed. I enclose the draft agreement forwarded with your letter of the 10th January to Mr. Cunningham." Upon this date an interview took place between you and Abdul Huk?—I have no recollection of any.

3034. Did you get no answer to this?—My memory does not serve me at all.

3035. You were left in charge of the Residency of Hyderabad. You state here that there is a very important concession on which heavy negotiations have gone through, that you have received certain letters from the Government at Calcutta, and that you do not remember anything about it?—I do not say I remember nothing about it. I do not remember whether Abdul Huk ever came to see me, and whether he ever went over the agreement with me.

3036. What do you remember about the whole transaction?—I remember a good deal, but I do not remember that.

3037. What do you remember?—I do not remember anything about that.

3038. What do you remember about the concession. Do you remember certain documents being sent by Mr. Durrant marked A. and B. Did you remember them?—Yes.

3039. Did you form a conclusion in regard to these documents that this was intended to be a first issue, and the further issue was to be by money paid up in shares?—Yes.

3040. That is the conclusion you formed?—Yes.

3041. You had the letter from Mr. Durrant that you referred to here. In the letter dated the 30th August, Mr. Durrant says, the first issue of shares will be 150,000 l. and 75,000 l. paid up?—Yes.

3042. Do I understand it that when you got this letter on the subsequent day you were in charge of the Residency?—I imagine so. I do not remember the date of Mr. Cordery's return. Mr. Cordery came back in September, but I have no recollection of the dates.

3043. You have no recollection whether you did go through the concession with anybody?—No.

3044. In fact, as I understand, you sent this letter, Mr. Cordery came back, and you handed the whole matter back to him?—Yes. I think if I may say what probably took place, I should say I did not go over it. If he had come back he would go over it.

3045. You did not discuss the matter with anyone?—Not at that time.

3046. With whom did you?—With Mr. Cordery.

3047. You talked it over with Mr. Cordery, but did you talk it over with Mr. Watson?—No.

3048. Or Sir Salar Jung?—No; I daresay I have spoken to him.

3049. You really never had any official correspondence?—No.

3050. As I understand, until this letter was sent by you nothing took place on it, and Mr. Cordery returned immediately?—That is my recollection.

3051. Sir Richard Temple.] As I understand, you were only temporary *locum tenens*?—That is so; I was not even acting as resident.

3052. You were merely *charge d'affaires*?—Yes.

3053. You had nothing to do with drawing up the concession?—No.

3054. Mr. Bristowe.] Did I understand you to say that you understood the 850,000 l. were to be given to the concessionnaires?—No; certainly not.

3055. You did not know anything of what was to take place with the others?—No.

3056. Sir

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[Continued.]

3056. Sir Richard Temple.] Had you a general knowledge of the concession?—Yes; not a special knowledge.

3057. But a general knowledge?—Yes.

3058. Which you acquired in your capacity of First Assistant to the Residency?—Yes.

3059. First Assistant means chief of the political staff of the Residency, does it not?—Yes; practically secretary.

3060. In the political department?—Yes.

3061. Mr. Slagg.] Did you hear anything during your term of association, such as it was with this concession, which led you to suppose that 850,000 l. would be paid to the concessionnaires?—No, never.

3062. Then this was quite new; you have only heard of it lately?—I have only heard of it lately.

3063. Sir Richard Temple.] Would you regard such payment of 850,000 l. as consistent or inconsistent with your understanding of the concession?—Inconsistent.

3064. Absolutely inconsistent?—Yes, absolutely inconsistent.

3065. Mr. Slagg.] Have you had any experience of other concessions of the same nature?—No, I have not. I simply mean to say this, that if such a payment had been meant to be made to the concessionnaires, I should consider it would be named separately in the memorandum, or some reference would be made.

3066. That payment is quite inconsistent with your interpretation of the agreement?—I think if there was a payment, it would have been entered in the agreement.

3067. You consider it was not entered or indicated?—It was not entered.

3067*. Sir Richard Temple.] Nor indicated?—Nor indicated.

3068. Mr. Littler.] How did you expect the concessionnaires were to be paid for all their time and trouble?—I do not know that I ever thought about it.

3069. You expected they would get something?—If the Committee were to get one they would get their reward in that way.

3070. They were to sell the concession to the Company. How do you suppose they were to be paid unless they were to have shares; you never thought of it?—I have no experience whatever of such matters.

3371. You did not know how they were to be paid?—No, I do not suppose it crossed my mind.

3072. Did it ever cross your mind to think what was to come of the 850,000 l. shares at all?—No, I daresay not.

3073. Sir Richard Temple.] Do you not think that was part of the capital of the Company, the 850,000 l.?—I do not know that I even thought about it very much.

3374. Was it not set forth in the official papers that the capital of the Company was to be one million?—Yes.

3075. Did you not understand that 850,000 l. was part of the million?—Of course, I certainly understood that the whole of the capital of the Company was *bona fide* capital, or would be when it was placed.

3076. If the concessionnaires sold the concession, would not they ordinarily obtain a price for that concession?—I suppose so; I do not know really how these things are done.

3077. Would such a price be represented by the 850,000 l. in shares?—I do not follow you there.

Mr. Littler.] There is one question I omitted if you will kindly ask it for me, whether, during his time, he saw that letter of Sir Salar Jung, of 2nd January, enclosed in the letter to the Resident of the 5th January, the one about the Commission.

Chairman.] The one marked "secret and private." Do you remember the

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[Continued.]

the letter, dated the 5th January 1882, from Sir Salar Jung to Abdul Huk?—On what subject? I do not know what the letter is.

Mr. Littler.] We believe it was enclosed in a letter to the Resident.

Chairman.] That has nothing to do with Mr. Watson, for whom you appear.

Mr. Littler.] I want to know that they as well as you knew this.

3078. Chairman.] It is much more important that Abdul Huk's counsel should deal with this. Have you seen this letter before?—No; I have never seen it before.

3079. Mr. Mayne.] Did you, as a matter of fact, go through the whole draft with reference to the new instructions which came from the Government of India and Sir Salar Jung, and did you frame a new draft with reference to those instructions?—I believe I did.

3080. Do you remember drawing up a sort of comparative statement of the different forms that this concession had taken, and the difference between the construction of the Government of India and Sir Salar Jung, in reference to those concessions?—Yes.

3081. Just look at this (*handing a paper*). I believe that is not the original in your handwriting, but is it a copy of the document that you prepared; you see the original concession, and then there is a statement of the alterations suggested by the Government of India, and then there is a statement of the suggestions made by Sir Salar Jung, and then there is the final draft?—That seems to be merely an office memorandum.

3082. You drew up a memorandum in that state?—Yes.

3083. Was your draft finally drawn up with a view to carrying out the instructions of the Government of India, as modified by the letter of Sir Salar Jung upon those instructions?—Yes; and as finally accepted by the Government of India.

3084. Was a Mr. Hughes one of the officers of the Residency?—He was the head clerk.

3085. Is that Mr. Hughes' writing?—Yes, this is his signature.

3086. Just read it out?—

Chairman. What is this?

Mr. Mayne.] It is from Mr. Hughes to Abdul Huk.

Chairman.] "Mr. Fitzgerald has asked me to send you the following," That is a covering letter.

3087. Mr. Mayne.] Did you instruct Mr. Hughes to send this document which you had drawn out with these transverse statements?—I have no doubt I did from seeing those letters.

Mr. Mayne.] I submit for the use of the Committee, if they think fit to receive it, the copy of Mr. Fitzgerald's statement drawn up by him in the preparation of a draft, and this letter from Mr. Fitzgerald forwarding that to Abdul Huk which is produced from the papers of the Nizam.

Chairman.] This draft?

Mr. Mayne.] This is the draft in the form which it finally takes.

Chairman.] Is the concession a mere copy?

Mr. Mayne.] Yes.

Chairman.] If you read that it will be the same as reading the concession.

Mr. Mayne.] It is in three-fold columns.

Chairman.] What is the point if that is the real draft from which the original concession is copied; how far does it carry it?

Mr. Mayne.] The point is this, to show that Mr. Fitzgerald in preparing a draft placed before his eyes in three columns the various forms the concession

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[Continued.]

cession had taken with the instructions of the Government of India to alter that, and the memorandum A. and B., and the letter of Salar Jung, consenting only to a limited extent to it, and having put before his eyes those various views, he then draws up the concession in the form it ultimately takes, with a view to carry out those instructions.

3088. Sir Horace Davey.] I am not quite sure whether you will permit me to ask a question which affects my client to a certain extent. Are the Committee to understand that you personally, with your own bond, settled the final draft of the concession, having regard to the instructions of the Government, and the correspondence?—I put into the original draft, which was drawn up by Messrs. White & Borrett a few alterations which were made by the Government.

3089. You made the final alterations?—I made them there. I cannot tell what were made afterwards.

3090. Chairman.] I see this is proposed by Minister in letter of 10th August 1885. Who was the Minister?—That is Sir Salar Jung, the younger.

3091. Would he act on his opinion or take advice?—Yes.

3092. Is this Sardar Dilar Jung, to whom this is addressed, Abdul Huk?—Yes.

3093. And "Home Office" means the Home Department of Hyderabad?—Yes.

The counsel and parties are directed to withdraw.

After a time, counsel and parties were called in.

Chairman.] The Committee propose continuing this inquiry on Friday next, and as the Witnesses whom the Committee think fit to call are exceedingly few, in fact the evidence has almost come to an end, the Committee purpose to do their best to conclude the inquiry, and after the Witnesses have been called, the Counsel who wish to address us within the limits prescribed; must be prepared to commence at once. Mr. Cordery will be good enough to attend on Friday. The Committee have intimated their wish that another Witness should be called. In answer to what was said on Friday last as to the necessity of the legal representatives of those who are before the Committee and who desire to call evidence sending in their statement of what the Witnesses are required to prove, the Committee have only received one statement, and that is from Messrs. Bircham and Company, who, I believe, represent the Company. They require that one Witness, a Mr. Morgan, should be examined as to the now present Company, and the Company's works and their value. That Witness may be called, but we have the reports, and he can only give evidence of a very short character. There is also a request to examine Mr. Batten, but in the statement of his evidence it is really going over the ground he went over, and also to state that he had no knowledge of Abdul Huk's proceedings. It has not been suggested that Mr. Batten had any knowledge of that. As to his giving further information as to the value of the concession, he has already given the evidence in answer to questions put to him, and handed in certain documents. It is unnecessary for Mr. Batten to go over that further.

Mr. Pember.] Surely in the list sent in by Messrs. Bircham, the name of Lord Lawrence is mentioned.

Chairman.] There is a request that Lord Lawrence should be examined, and I presume the Committee would have no objection to his being examined shortly to the point. There is also the accountant as to the number of shares held by the public. The witnesses to be called will be Mr. Morgan and Lord Lawrence.

Mr. Littler.] I have here a short statement very much in the same way as the witnesses whom Mr. Watson wishes to call.

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[Continued.]

Chairman. We have made our arrangements. We requested that the names of these witnesses should be sent in for to day.

Mr. Littler.] We did not understand that. We have prepared this short statement which we were going to send in giving the names of the witnesses and the object of their examination.

Chairman.] You wish to recall the Secretary of the Stock Exchange; he has been here once.

Mr. Littler.] Yes. Then we want to prove from Mr. Burdett when he got that statement which was open to the world in November.

Chairman.] Every one of these witnesses will have to be asked concisely as to facts. You ask that Mr. William Morris may be called to prove the circumstances under which he bought a large number of shares.

Mr. Littler.] I wish to show that it was the general knowledge of the Stock Exchange, and those who were buying and selling these shares, that no one bought without knowing the facts. I cannot call everyone, but I can call one or two of the very largest.

Chairman.] It is not for us to consider what the brokers of the Stock Exchange knew. The brokers did not pay for them.

Mr. Littler.] Mr. Morris is the first buyer on his own account.

Mr. Labouchere.] Do you assert that it is on his own account from knowledge?

Mr. Littler.] I expect he is going to say so.

Mr. Labouchere.] He is a jobber.

Chairman.] Are we to treat Mr. William Morris as a *bond fide* holder of shares representing the public?

Mr. Littler.] I so understand.

Chairman.] Then Mr. Morris may come in that capacity. You understand he comes in the capacity of a *bond fide* innocent holder of shares.

Mr. Littler.] I do not know as to holding shares, but a person who held at that time —

Chairman.] We are not going to enter into the specific dealings of jobbers in this matter.

Mr. Littler.] I take it the broker who buys for a client takes care what he is about in buying and selling these shares?

Mr. Labouchere.] Does he?

Mr. Littler.] Yes; it is his business to protect his client.

Chairman.] You may take one of each class, the largest jobber and the largest broker. We cannot have more. I have said that Mr. Batten cannot be recalled. We have had an application in detail from Mr. Seymour Kay, stating what his evidence is. The Committee thinks that evidence is too remote to this inquiry. Mr. Morton Fremmen has also written to be examined, but he refers to matters of which the Committee know nothing; we do not think it necessary to call him.

Mr. Littler.] I should have been very anxious to see him.

Chairman.] What do you wish to see him for?

Mr. Littler.] I am bound shortly, and at once, to say that we believe this has wholly arisen from statements made by Mr. Morton Fremmen, and went to know what foundation he had for them.

Chairman.] Being appointed by the House of Commons, the responsibility rests

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[Continued.]

rests with the Committee. They would not listen to that for one moment. Who is Mr. Linham?

Mr. Littler.] He is in the same position as Mr. Fremmen.

Chairman.] Who is Mr. Oakley?

Mr. Littler.] Mr. Oakley is the very first buyer we have.

Chairman.] Is he a jobber or a broker?

Mr. Littler.] He is a broker.

Chairman.] You must take one of the largest of that class.

Mr. Littler.] Inasmuch as the interests I have to protect are very considerable, and all the documents have been left to be referred to in the observations of counsel, I am very much afraid about getting everything that ought to be said compressed within the time. We must do our best. You will remember there is not one document which has been referred to. I should ask you to give us the indulgence, if the Evidence is closed on Friday, and if the addresses are not finished, to allow us to see the documents.

Chairman.] The Committee are very desirous that no injustice should be done by your not seeing the documents. We will take care on Friday next that if you have not seen the documents, and if there is any document you wish to see, an opportunity or otherwise may be given you of dealing with the documents. We will take care counsel have the documents.

Mr. Pember.] There is one other point. Probably you are in a position to say now in what order you would hear the different parties.

Chairman.] I think we should like to hear Mr. Mayne, representing the Government, first, and you gentlemen may arrange between yourselves as most convenient.

Mr. Littler.] I should crave leave to claim what is the usual practice before ordinary Parliamentary Committees of going last by seniority.

Chairman.] We may say, Mr. Pember, that as the interest of the Company is represented by you, and as you overlap a great deal we shall only hear one counsel on the same state of facts. Where the facts separate it is a different thing, but so far as the original transactions are concerned the interests of the Company, and the interests of the concessionnaires to a very considerable degree run together; therefore we shall only hear one counsel.

Friday, 15th June 1888.

MEMBERS PRESENT :

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.
Mr. McLagan.

Mr. Slagg.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

THE RIGHT HONOURABLE SIR HENRY JAMES, IN THE CHAIR.

MR. JOHN GRAHAM CORDERY, sworn; and Examined.

3094. Mr. Labouchere.] You were resident for some time at Hyderabad, I think?—I went there in April 1883, and I have just left it.

3095. In 1883 you went there?—In April 1883; the 1st of April I think it was.

3096. What was your first knowledge of these mining and railroad proposals?—At that time there was a Provisional Government, of which Peshkar was the head, the late Sir Salar Jung having died about two months before Abdul Huk was in England about the railway and telegraph to the Provisional Government that he was prepared to sign a convention which had been before the Secretary of State Peshkar so far consulted me about it as to ask whether it should be signed then and there. I said that as the new Government it would be more cautious of him to see the document, and I also pointed out that the Government of India, as distinct from the Secretary of State, had no chance of seeing it. Then Abdul Huk was told that he must bring it to Hyderabad before taking further steps.

3097. Then he came back with the document to Hyderabad?—Yes. I may mention the question was as to whether I had seen it. Of course I looked up the papers then. There was a letter at that time (about 1882 I think) on which the late Sir Salar Jung had expressed his approval of the scheme. At that time, and for that matter so far as I was concerned, the railway had nothing to do with it at all. There was no question of reward or indulgence, because at that time Watson and Stewart had not got the contract.

3098. You are aware that before that there had been a proposal from what they called the Bombay Syndicate?—No, I was not aware of that.

3099. You were not at all aware of that?—No.

3100. They did not state that to you?—No, I never heard of it.

3101. When Abdul Huk came back with this contract I presume you had some statement from the Indian Government at home; the Secretary of State for India?—I think the matter was allowed to drop altogether.

3102. I am not speaking of the Bombay Syndicate?—No.

3103. If you will allow me, Abdul Huk goes to England, does he not, to arrange about a railroad contract with Morton Rose, and a mining contract with Watson?—Yes, with Watson.

3104. When in England he settles the railroad contract with Watson?—Yes.

3105. And he comes back with the mining contract to Hyderabad?—Unsettled.

3106. Unsettled?—Yes.

3107. You are aware (I presume you had the correspondence) that Lord Kimberley desired that he should return?—I do not remember that Lord Kimberley desired it. At any rate the Peshkar desired it.

3108. Now

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[Continued.]

3108. Now when he came to Hyderabad what took place then?—I think the question was allowed to drop until the Provisional Government had ceased, and Mr. Winter made his appearance with the new Government.

3109. When did Mr. Winter make his appearance?—Not until after the accession, if I remember rightly, in 1884.

3110. In 1884 the Nizam was declared a major; was he not?—Yes.

3111. How old was he then?—Seventeen and a-half.

3112. And Sir Salar Jung was made Prime Minister?—Prime Minister.

3113. What was his age?—Twenty-two, I think, at that time.

3114. What was the position of Abdul Huk then?—He was Home Secretary, as it was termed. His principal work, apart from internal administration, was connected with the railway.

3115. But he was the Home Secretary?—Yes.

3116. We have got it in evidence that he was at the head of what we call the Home Department?—Yes.

3117. When Mr. Winter came Mr. Winter took up his residence with you, I think?—He may have been there two days; I cannot remember the time he came to me.

3118. Then Mr. Winter came out there as the representative of Mr. Watson?—Yes, I understood so.

3119. At that moment you had the draft contract that had been drawn up by White, Borrett, and Company in England?—Yes.

3120. And which had been sent to Hyderabad, I presume?—Yes.

3121. How was that sent?—It was brought back. I do not remember its being sent specially.

3122. Was it brought back by Huk?—No, I think it came from the Government of India.

3123. Then you were possessed of that draft contract?—Yes.

3124. You then entered into negotiations with Winter?—No; Mr. Winter asked for an interview with Sir Salar Jung, and I procured him that. Then he entered into negotiations with Sir Salar Jung.

3125. But I believe there was subsequently a Despatch, was not there, from the Calcutta Government, saying, that all negotiations ought to pass through you?—Yes; that was after Mr. Winter's proposals had gone in.

3126. You saw the two memoranda that were sent. Memoranda A. and B. from the Calcutta Government?—Oh, yes.

3127. What did you understand by that in regard to the issue of shares?—I understood distinctly that the 150,000 £ at which it was finally settled was to be the first call, and that the balance was to be available for the further progress of the enterprise.

3128. Mr. Durand subsequently sent you a document to the same effect, did he not?—Yes; there was more than one letter. I think my own letter was also sent.

3129. It was fully understood, then, that this issue of 150,000 £ was to be the first issue, and that capital (working capital), if required, was to be raised by subsequent issues?—Yes, I understood so. I understood that it was in accordance with the elder Sir Salar Jung's minute on the subject; that as new mines were discovered, further calls would be made.

3130. In conversations with Mr. Winter, was any reference made to this?—I think it was implied throughout.

3131. You stated it to Mr. Winter?—I have no doubt that he saw it. Of course, I cannot remember word for word my conversation.

3132. Then it was fully understood?—I understood so.

3133. We have here in a Despatch, that when you were absent for a few days, Mr. Fitzgerald suggested that Abdul Huk should come to him and go through the revised draft to see any little alterations that were required. Do you remember anything about that?—No; I do not remember anything about that. I was absent.

3134. Did you know at that time that Abdul Huk was a partner?—I had not the remotest conception of it. So far from imagining that Abdul Huk would

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[Continued.]

be in collusion at that time, I thought he had been antagonistic to Mr. Watson.

3135. He pretended that he was?—No; but in one particular thing, about the 83,000 £, he had been, I believe.

3136. As to the railway that is?—Yes.

3137. I will ask you a question or two about that afterwards, if you please. Then you had no sort of notion that Abdul Huk was going to receive any commission or anything from Watson?—Not the remotest ground for supposing it; all ground for supposing the contrary.

3138. We have had the letter put in marked "private and confidential," dated 5th January 1882; perhaps I need not read it. You have read it; you know the substance of the letter, which is: "I shall have no objection," says Salar Jung, "to your receiving any remuneration on the railway and mining schemes with which they may reward your services," that is, the promoters. Had you seen that letter?—At what time? I had not seen it until the question had been raised in England.

3139. At the present time. I am not speaking of the mining, but of the railway. This letter in which Sir Salar Jung writes to Abdul Huk on the 5th January, says the "Government will appreciate at their full value the service you have rendered," &c., &c., "and your services to the promoters of the scheme will have been just as valuable as to His Highness' Government in case of the scheme being carried through, I write a line to assure you that I shall have no objection to your receiving any remuneration on the railway and mining schemes with which they may reward your services"?—Oh, no; that letter I never saw at all.

3140. You never saw it at all?—No; I saw a separate letter about the 83,000, but I never saw that.

3141. Did Mr. Winter in any way suggest that Abdul Huk was a partner?—Oh no, never.

3142. The Minister then would be Salar Jung the younger, would not he?—Yes.

3143. Is it to your knowledge that Salar Jung knew anything or did not know any about this matter?—About the partnership?

3144. About the partnership?—I should say he did not. He would not have trusted him if he had known of it.

3145. Then you regarded Abdul Huk as an honest, independent representative of the Government negotiating with Mr. Winter?—Yes, I did all the time.

3146. If it had been stated to you or if it had come to your knowledge, rather, I will say, that Abdul Huk was a partner in the matter, I presume that you would have declined to allow the negotiation to go on?—Yes; I should have shown it up at once to—

3147. Sir Richard Temple.] To whom?—To Sir Salar Jung in the first instance; to my own Government officially, at the same time.

3148. The Government of India?—Yes; the Government of India.

3149. Mr. Labouchere.] When did you first know that this 850,000 £. was given to the promoters for the concession?—I did not really know it until quite lately, when I heard that Mr. Watson had stated it to Mr. Morton Frewen, that is really the first knowledge that I had of it.

3150. You were still at Hyderabad?—Yes; still at Hyderabad.

3151. And nobody knew it?—I could not say that nobody knew it. Abdul Huk must have known it.

3152. But the Ministers did not, to the best of your knowledge?—I should think not.

3153. When it came to the knowledge of yourself and the Hyderabad Ministers that they had received this large amount, was there any communication between you and the Prime Minister Asman Jah?—No; Asman Jah never spoke to me about it. The question was before him in this shape. Before I had known it properly I referred to the Government Abdul Huk's conduct as at that time I believed it had not been straightforward.

3154. Now

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[Continued.]

3154. Now about the purchase of the shares; can you tell us anything about that?—I remember its being proposed. I think it was in May 1887. I, on the analogy of the railway thought it a good thing that His Highness should have a share in the mining scheme.

3155. You had not an idea as you say then, that those shares had been paid for?—No, I had not.

3156. You thought it was capital of the company paid up to be expended?—To be expended. At that time I had heard the shares had been reserved by Mr. Watson, but it was my idea that they were reserved in the sense that he became responsible for the payment when it was called up.

3157. You have seen an extract from a memorandum, or a memorandum from Abdul Huk in the Yellow Book dated Fasli 1297; I will read the passage; Perhaps it will recall it to your memory. "The proposal" (that is in regard to the purchase of these shares) "was also laid before the Resident for submission to the Government of India from whom however no reply was received to the telegrams sent by the Resident at the urgent request of Sirdar Diler el Muk, as will be seen from the following telegrams from the Resident to His Highness's Government, Mahbleshwar, 10th May 1887, 'no reply yet received from Foreign' Mahbleshwar, 11th May 1887, 'about investment, I do not think India will interfere one way or the other, but no reply has yet arrived.'" This goes on thus: This is Abdul Huk's statement, "The reason for the silence of the Government of India was that the matter had been referred to the Secretary of State. It was considered in Committee and laid before the Council and passed, the proposal having been condered by the whole Council, including the Secretary of State who has the best means of judging of its value as sound and desirable both from a political and financial point of view. The approval of the Government of India was also subsequently signified." Have you any knowledge of that?—No, none; that was only reported to me.

3158. From your official position would you know?—Not unless it happened to be mentioned by the Foreign Office to me. They replied by telegram that they had no objection, but at the same time followed my lines, saying that they accepted no responsibility as regards the result.

3159. Would not it be brought to your knowledge that the matter had been referred to the Secretary of State and considered in Committee there?—No, it was not; never.

3160. It was not brought to your knowledge?—No; it depended upon the Foreign Office.

3161. Would not they keep you in communication with what was going on?—I do not think so, necessarily; it was a matter of detail as to the condition on which they chose to give their consent. It is quite possible they would not tell me the condition on which they assented to the proposal. That is quite possible.

3162. You have referred to the concession and the 83,000 £.; you have seen the letter of Salar Jung, senior, upon that?—I saw it once; it was brought to me. It was a letter written, if I remember, by Syed Bilgrami, and had an endorsement or order upon it.

3163. I will ask you about this, while that is being looked for; a telegram was put in at the last meeting by the Nawab who was here, to the following effect, a telegram which has been sent to him by his Government, 5th February 1885: "Huk wrote Salar Jung justifying acceptance of 83,000 £.; amongst enclosures to his letter was copy of the late Minister's of the 5th January;" that is the one I read to you just now "of the 5th January 1882; Huk's letter with enclosures sent; Cordery no copy, Home Office, but one procured Residency; posted last May. This statement is, I gather, to the effect that this letter which you say you had never seen has been found in the Residency, and was put in in an enclosure to the letter to Salar Jung, justifying acceptance of the 83,000 £.; that would be it, is it not; that is the meaning of it, is it not?—I suppose so.

3164. Can you give any explanation of it?—None in the world. I never saw such a letter. The point was not in issue then, that is to say, the mining business at all.

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3165. The

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[Continued.]

3165. The mining business was not in issue, and you have absolutely no knowledge of it?—No, none.

3166. How would you account for the fact, assuming this to be true, that a copy has been found at the Residency?—May I see the letter?

3167. This is the telegram?—I mean the letter.

Sir Richard Temple.] Let the Witness see the telegram.

Witness.] I want to see the letter. (Telegram handed to the Witness by Sir Richard Temple.)

3168. Look at the telegram "No copy Home Office, but one procured Residency"?—

3169. Mr. Labouchere.] You know the letter, do not you?—No, I want to see the letter.

3170. Here is the actual letter (handing same to Witness)?—I never saw that letter, and I cannot understand it.

3171. I want you to give a reason for not understanding it?—The reason is because when the question was before me I was travelling up either to Calcutta or to Simla, I forget which, in order to lay the matter of the 83,000 £. before the Government of India. No allusion was made to this letter. The only letter I then saw was the original letter of Salar Jung.

3172. What were you travelling up with?—I was travelling up to lay the matter of the 83,000 £. before the Calcutta Government because I thought it was a very serious matter. That was my principal object in going, but at that time when I was doing this, the only letter shown me or that I had seen on the subject of Sir Salar Jung's consent to Abdul Huk getting 83,000 £. was the vernacular, and surely if that English one had been in existence then—

3173. No, no; I beg your pardon. We are speaking of two different letters. There are two letters, 28th December 1881. Perhaps you will look at it. (handing same to Witness.) That is the letter about the 83,000 £. commission on the railroad?—This again is not the letter which was shown to me when I went up to explain the 83,000 £.

3174. That is not the letter?—That is not the letter that was shown me. It was the vernacular letter, with Sir Salar Jung's endorsement of the order upon it, that the percentage should be allowed to him, but that he was to keep it secret. The percentage was to be allowed to him upon whatever might be paid for the whole line as distinct from the whole capital which was raised for the line.

3175. Then you were never shown that letter at all?—I was never shown that letter.

3176. Chairman.] Whose letter was it?—He showed it me. I inquired about its genuineness from the younger Sir Salar Jung.

3177. Mr. Labouchere.] Do you mean the letter with some notes written at the side?—Yes; either at the side or on the back.

3178. Then you know nothing about this letter?—No; I never saw these English letters.

3179. Still, did you ever see any vernacular letter in regard to this letter of 5th January 1882, which is stated in the telegram to have been found at the Residency?—No, I never saw that.

3180. Can you account in any sort of way for its being found at the Residency?—One does not like to say it; but one supposes that it had been put into the records.

3181. Chairman.] What do you say?—I suppose it had been put into the files. I cannot suppose it got there in any other way.

3182. Mr. Labouchere.] Did you suspect any of your own employés?—No; I do not.

3183. Would Abdul Huk have an opportunity of going there?—He may have had an opportunity in his time.

3184. Could he have done it if he wished to?—Possibly he may have. I think possibly he may have been in there.

3185. Do

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[Continued.]

3185. Do you have any index at the Residency?—Yes.

3186. Would it not be entered in the index, "Received with enclosures 1, 2, 3"?—Yes; it would certainly.

3187. You have not, perhaps, got the index over here?—No.

3188. But you are perfectly and absolutely certain that, so far as you know, that letter was not by fair means put in the Residency?—I cannot conceive how it got there. I am positive I never saw the letter. It may have been put in when I took the affairs up to Calcutta during my absence, but I never saw it.

3189. It was never in any way submitted to you?—It was never submitted to me. Of that I am positive. My reason for my certainty is this, that if I had seen it I should have explained it to the Calcutta Government.

3190. You have alluded to this 83,000 £.?—Yes.

3191. You saw the letter in the vernacular, or the memorandum, stating that he might receive a percentage on it?—Yes, on that portion of it.

3192. On that portion of the thing; now will you read that letter to yourself (handing same to the Witness)?—This is not in the vernacular.

3193. No; that is the letter that has been put in?—I never saw that letter. If I had seen any English letter on the subject I could not forget it, because I had to go up to explain the matter at Calcutta, and a letter of this sort would have been much clearer than what I had to explain, whether the vernacular one was genuine.

3194. You see in that letter, at the end, I think, if you look at it, that he is to divide this 5 per cent. amongst himself and others, is he not?—Yes.

3195. Do you gather from that letter that that is to be so to say, promotion money is to all the promoters, this 5 per cent.?—No, I should doubt that.

3196. You are aware that Mr. Watson received 100,000 £. promoting money?—Yes, I think he did, something like that sum.

3197. Do not you think that when this 100,000 £. was agreed to be paid those who paid it ought to have been in possession of that letter, or knowledge of it?—Undoubtedly they ought; but his posing here as a perfectly disinterested man when he had this permission in his pocket was of course unjustifiable.

3198. Then when the money was paid him for the railroad he deducted it?—Yes, he deducted it.

3199. That came some time afterwards before the Government of Hyderabad?—Yes. I do not know at what time.

3200. Then you advised this to be given, the 83,000 £.?—No; it was given long before I advised it. It was ratified by the Government, and because it was ratified I thought the matter so serious I took it up to Calcutta, and represented to Calcutta the fact that this 83,000 £. had been deducted, and had gone into the pocket of the agent, Abdul Huk.

3201. Then you did not approve of that action?—I thought it a very doubtful matter as regards whether he was entitled to it or not, because after all it was an agreement with his own employer. There was no collusion with the other party, and it was a promise, and he was told by that employer to keep it secret; so I left it to the Calcutta Government to decide whether it was right or wrong.

3202. What action did the Calcutta Government take?—I do not think it was ever reported to me officially, because they agree that it was a matter of internal administration which they could not interfere with.

3203. When you say "his employer," that was Sir Salar Jung, the elder?—The elder.

3204. But he was dead at that time?—Yes, he was dead.

3205. Had he, in any way, shown that letter to the actual Government of Hyderabad?—Yes, he had; not before he took it, but after he took it he showed it to them.

3206. While the negotiation was going on and eventually signed?—Nobody had any idea of it. I had no idea of it. I am not sure whether the Peshkar had. I had not.

3207. Would you say whether this is correct (handing a document to the Witness)?—Yes, exactly; I left it as an open question.

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3208. I will

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3208. I will read it out to you: "Hydrabad Residency, 10th June 1885. My dear Nawab;" who is the "My dear Nawab"?—He is the Minister.

3209. Abdul Huk?—No, the Minister, Sir Salar Jung.

3210. "I have laid before the Government of India a full report concerning the percentage, drawn by Sirdar Diler and Dowlah, as his remuneration for the conduct of the railway negotiations in England, and I am directed to say that His Excellency in Council does not see how, at this late stage of the proceeding, it is possible for him to interfere in what was the subject of a private agreement between the representatives of His Highness, the Nizam's Government, at the various times on the one hand, and the Sirdar on the other hand; but I am also requested, on behalf of the Viceroy, to draw your most earnest attention to the danger and disadvantage which has, in this instance, most clearly attended the failure of not imparting to the resident, *without reserve*, all important particulars connected with negotiations in England. There can be no question but that, had not secrecy been observed in this case with regard to this percentage, a very large sum would have been saved to the coffers of the State, and yet a reward, quite sufficient to guarantee the integrity of your agent might have been secured to him. I am to add that His Highness' Government is bound to avoid the exercise of any such reserve when dealing with matters of public interest in England?"—That was the final decision of the India Office after hearing me verbally, and after my official report.

3211. But you said just now you knew absolutely nothing of the Bombay matter proposal, the Syndicate?—No, I know nothing of it.

3212. When you recommended that this money should be paid, were you aware that this letter was given during a time when negotiations were going on with the Bombay Syndicate, and in regard to the Bombay Syndicate?—No, I never noted that.

3213. And you never noticed that?—No, I never noted that.

3214. That would have been an important factor in the decision would it not?—Yes, I think so. It would have been very difficult to ascertain whether Sir Salar Jung meant to continue it. Technically, there would have been a difficulty.

3215. And when you wrote this Despatch to Sir Salar Jung were you aware that Sir Salar Jung himself knew nothing of this?—When I wrote that Despatch?

3216. I beg your pardon. Were you aware that Sir Salar Jung, junior, knew nothing of this letter while the negotiations were going on in England?—Yes, I was aware, I think.

3217. You were aware that he did know nothing of it?—Yes.

3218. That the only member of the Government who did know of it was dead?—Well, of course; some of it, for instance, I think the writer of it probably knew.

3219. His own secretary?—His own secretary probably knew the final result.

3220. But the actual Government of Hyderabad knew absolutely nothing of it?—Not until it was sprung upon them by the deduction from the money.

3221. You have seen Clause 11?—The Royalties?

3222. Yes?—Yes.

3223. Is that clause intended in any way to make it absolutely necessary that the capital of the company should be *bond fide*?—I do not remember; what words would you suggest?

3224. I will put these words: The Clause says that a lease shall be granted; that they have power to ask for a lease for themselves or nominees, and that the amount of royalty shall be reserved when the lease is granted, but that this royalty shall form a fair rent. Now why was this explanation or definition of the word royalty used, "a fair rent." I will ask you this: Would not the fair rent amount to any excess over a fair return upon the *bond fide* capital employed in the mine?—You mean the fair rent is the royalty?

3225. I mean the fair rent is the royalty; it is called a fair rent?—Of course there is the profits of shareholders.

3226. But after the profit, that is the return on the capital, would not all in

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in excess of a fair return upon capital invested go to the Nizam in the form of this fair rent, is not that the meaning of the clause?—It was drafted by a firm who would be able to explain what they meant. I should not have attributed that meaning to it at first.

3227. What meaning should you have attributed to it?—I thought it meant that the royalty should be fixed upon the terms of a *fair rate* rather than a "fair rent."

3228. You actually sign this; you negotiate it; you actually sign it with the definition of a "fair rent," and yet you thought it meant a *fair rate*; why on earth did you not say a *fair rate*?—The thing was drafted by the lawyer.

3229. Did not you look into it?—Yes, I heard it through.

3230. Then you knew what it was. Did not you know what you were agreeing to?—

Mr. Pember.] Mr. Cordery did not sign it, Sir.

Mr. Labouchere.] No, but Mr. Cordery was responsible for it.

Witness.] I could hardly be responsible for it. I really do not understand the point now.

3231. What I mean is this: When you agreed to advise the Government of the Nizam to sign an agreement saying that "royalty" meant a "fair rent," you in your mind intended the words "fair rent" to mean fair rate, because that is what you have said. Do you want to see the clause?—Will you allow me to look at the Clause 11? (*Document handed to the Witness.*) The reason I thought it equivalent was because it had to be fixed by arbitration.

3232. Then did you really mean the royalty was to be a "fair rate" or a *fair rent*?—I meant that the royalty should be fixed in the manner proposed by the mining engineer.

3233. "As a fair rent"; look at that; did you mean what was said in that clause?—I accepted the draft. It had been approved by the Government of India and by the Secretary of State, and I accepted it without much question. I really do not understand the point entirely.

3234. Very well; you do not understand anything about it?—Not that point.

3235. Then I will ask you nothing more.

3236. Sir Richard Temple.] I suppose you are generally cognisant of the policy of the concession?—Yes.

3237. When it granted all the mining rights of the Nizam for a period of years to the concessionnaires, what mines did you understand it to include, the coal mines?—No; I thought it meant the coal mines in the first instance, which were to be worked by the first calls, and any subsequent mines to be worked by the subsequent calls.

3238. Did the "future mines" include any diamond mines, past, present, or prospective?—Yes, it did; any mines at all that were discovered but those which were expressly thought of by myself and Sir Salar Jung were iron, and the manufacture of steel from them.

3239. Did any diamond mines at that time come into your contemplation?—Oh, yes; I heard it, I think, as a possible future; but I looked at it as a great speculation.

3240. What diamond mines were they?—The argument was this, as I understood it from experts and different people, that if, with very bad machinery and bad works, and with the want of means for pumping out water, they found diamonds in the old times, probably there was a great number left behind which improved machinery and improved appliances would bring to light. That was the argument.

3241. Were the mines in existence, those which were known as the Golconda mines?—Yes; I think they were alluded to, but it was generally alluded to that if the Golconda mines were found other mines would be found in the vicinity.

3242. From your experience of the Deccan, had you any knowledge, or had

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you ever heard, of any other diamond mines besides the old Golconda mines?—No none.

3243. Was anything said at the time of the concession about gold-bearing formations or strata in the Raichore?—There was no particular place mentioned; but undoubtedly it was in the heads of Mr. Winter and Abdul Huk that gold might be found.

3254. Do you know the reports regarding the so-called auriferous strata in the Raichore by Mr. Hughes?—No, I have not read those.

3245. Are those strata within the Nizam's dominions, or out of it?—Within the Nizam's dominions in all probability, because Mr. Hughes is now exploring within the purview, or within the Nizam's dominions.

3246. Is the whole Raichore now in the Nizam's dominions?—No, I do not think so.

3247. Are they within the old assigned districts of Raichore, these strata?—I have not heard any of the reports, and I cannot tell you.

3248. Pray, who is Mr. Hughes?—Mr. Hughes is a geological surveyor, who has been employed, I believe, a great deal in the south of India, and whose services were lent to the Nizam's Government.

3249. What position does he hold on the Geological Survey?—A good one, I should say; I cannot say exactly what rank he holds.

3250. He is not at the head of it?—No, he is not at the head of it, but he is high up in it. He states what is his opinion, I think.

3251. About the coal and iron mines?—The coal and iron mines are in the neighbourhood of Singareni, are they not?—Yes.

3252. Some between Warangal and Chanda?—Not Chanda, I think; rather due east.

3253. Between Warangal and Godavery?—Between Warangal and Godavery.

3254. Not from the Godavery river?—No, not far.

3255. Were those mines such as to justify the nominal capital of a million?—Not by themselves, I should say. Throughout our negotiations you will see it is always assumed that the 150,000 £. would be enough to work the Singareni coal-fields.

3256. Including the iron?—No, not the iron. The iron would have been a subsequent discovery.

3257. The iron would have been a subsequent discovery; but has any iron been discovered?—Yes, iron has been discovered; excellent iron.

3258. Since the time of the concession?—Yes, since the time of the concession. It has been sent up. There are specimens of it now in England.

3259. Has that been worked?—No.

3260. In their work, they would require a capital over and above the 150,000 £.?—I should say so; but of course I cannot speak positively upon a subject like that.

3261. Did you consider it safe or prudent to concede the whole of the mining rights in the Deccan to a private party or corporation of Europeans?—Yes, I did. I thought it an excellent project in itself, if it had been worked in the way it was first contemplated, and the expenditure of the million within the country was laid stress upon by Sirdar Diler Jung, the late Sir Salar Jung, and everybody, as one of the principal reasons why it was such a good thing.

3262. Looking to the past experience of the Hyderabad in Lord Metcalfe's time, you did not see any political objection to such extensive and comprehensive concessions being made for a long period of years?—I thought times had changed, and that the time had come when these things it was possible to prevent. The desire of employing capital throughout India had become much stronger in every part, and there was no reason why the Nizam should fall behind the general development.

3263. Have I understood rightly from your answers to-day that you regard the manner in which the 850,000 £. worth of shares was disposed of in London, to

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to be contrary to the spirit and intention of the concession agreement?—Yes, I do so regard it. I always understood that it was to be reserved for working future mines.

3264. Then do you consider that the terms in which the concession is couched are sufficient to preclude any operation of that kind, contrary to the intention of the document?—Anybody who has started from the very beginning, and who knows the spirit and intention with which it was drawn, is hardly a fair judge of what ought to be read within the four corners of the document; but I could not read it without knowing that that 150,000 £. was the first call.

3265. But after hearing and knowing what has since passed, do you still consider that the terms of the concession agreement are sufficiently explicit?—I see how it has been made use of, and, therefore, I suppose not, but I myself should have thought so.

3266. You would have thought at the time that there was no real loophole for any such transaction?—No; at the time I thought not, because I had a good reason for thinking so. It was drawn up by the lawyer, and in the letter with which he forwards it to the Nizam's Government, he states that it was the intention that the sum should be reserved. You will find that in the lawyer's letter in which he forwards the first draft.

3267. Who is the lawyer you refer to?—White and Borrett.

3268. Messrs. White; now were they acting on behalf of the Nizam's Government?—No; they were an English firm who drew up the first draft for the Secretary of State, as I understood it, or with the knowledge of the Secretary of State.

3269. They were acting for Abdul Huk, at the bidding of the Secretary of State?—I imagine that. I do not know exactly their position, because it was in England; it was done before I took up the question. It was done before I went there even. It was done in 1882, the end of 1882.

3270. But if it had occurred to you that any such loophole was possible, would you have interfered to prevent it?—Yes, I should have put it in at once, certainly.

3271. Or you would have represented that to the Government?—I should have thought myself justified in altering it if I had thought so but I did not. I accepted the draft as having been drawn up by a lawyer.

3272. To the best of your knowledge and belief, was the view you have described as your own also entertained by the late Salar Jung and his Government?—It is on record by the late Sir Salar Jung in his letter approving of the scheme that that was his view. You will find it in the second or third paragraph of his letter.

3273. Mr. Labouchere.] The letter of the late Sir Salar Jung?—The second or third paragraph, first of all, saying he feels himself justified in granting the concession; he interprets the offer as meaning that. The 1st January 1883, I think, or the 3rd January. They were the two letters on which I formed my first conception of the affair when the Peshkar was telegraphed to.

3274. Sir Richard Temple.] Then do I understand that it did not occur to you that wide concessions of this kind granted to European capitalists might lead to some embarrassing speculations, or speculations embarrassing to the Nizam's Government?—I do not say there was no risk attending anything of the sort. I thought it was well worth running for the sake of the development of the country. The scheme itself was so thoroughly sound; it was approved by everybody, and if it had been worked as intended (by us at any rate) it would have been a great success.

3275. In regard to this telegram that has been shown you to-day, who is this from? There is a name at the bottom of it which I read as Mooshta Gusin (showing same to the Witness).

3276. Who is Mooshta?—He is the present Revenue Secretary as distinct from the Financial Secretary. He is a trusted servant of the Minister; the man who does most of his work there, the present Minister.

3277. Would he have any interest in justifying this acceptance by Abdul Huk of the 83,000 £.?—No, none; I do not think so.

3278. Then can you account for his telegraphing that a copy of the letter had

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had been found in the Residency?—He has been probably asked to do it by Abdul Huk. Abdul Huk is himself under surveillance, and I do not think he can telegraph on his own account; I am not sure; I do not know. So far as I know he is antagonistic to Abdul Huk; that is to say, his general policy is. What this particular telegram is I do not know.

3279. Then do you consider that he is telegraphing the truth when he says that a copy has been found in the Residency; I understand you to say that so far as you know he has no interest in saying this; that he has no interest in justifying the acceptance by Abdul Huk of 83,000 £.?—They all agreed to it, the whole Government agreed to it, both the Nawab and Mohsin-ul-Mulk did agree to the payment of 83,000 £.

3280. Reading this telegram, do you believe it was found in the Residency, this copy?—I have no reason for not believing it.

3281. Then if it has got there it has got there wrongly, surreptitiously placed there?—It has got there at any rate. It has never been laid before me.

3282. It has got there without your knowledge?—Yes; without my knowledge.

3283. Do you think it could have been surreptitiously placed there?—It is within the bounds of possibility; but I should be very sorry to suspect my men of it.

3284. I understood you to say that Salar Jung informed you that this matter of 83,000 £. was to be kept secret?—No, no; it was in the indorsement.

3285. I have the words down, "was to be kept secret"?—Yes; that was in vernacular indorsement. You will find there that the matter is to be kept secret.

3286. Yes, exactly; now why was it to be kept secret?—Salar Jung told Abdul Huk to keep it secret.

3287. And you saw that indorsement?—Yes; I saw that indorsement.

3288. Now I want to know why should Salar Jung have told Abdul Huk to keep it secret?—Well, there are several reasons I should say. One would be that if it was known that so much money was going to be paid in commission, there is no doubt that the other people who were entitled to commission would have claimed a share in it, or insisted upon more commission on their parts. That is what Abdul Huk would say; in fact he did say so if I remember rightly, and there are other reasons which might be easily conceived.

3289. Mr. *McLagan*.] When the concession was made the Company was to be formed with a capital of 1,000,000 £., and I think you said the whole of that 1,000,000 £. was to be spent in the Deccan in developing and working the mines?—That was my view of it.

3290. Then do you think that Messrs. Steward and Watson, or any other sane man having an eye to his own interest, would undertake all that risk and trouble without any remuneration?—Well, I thought the remuneration was what they would make in starting the Company, as it were. I thought it was a very large sum.

3291. How do you think it would pay in starting the Company?—I should have thought the placing of the shares, which I imagined was what Messrs. Watson and Stewart undertook, would have brought them a very large sum. The thing was so sound.

3292. You mean to say that they would get a commission in placing the shares?—No, I meant they would make a very large profit.

3293. How would they make the profit?—By the shares that were not to be placed out. The shares that were not to be called for unless more mines were discovered; the discovery of more mines would have run up the shares to a very large sum beyond the 150,000 £.

3294. You mean it would run up to a sum larger than the 1,000,000 £.?—Yes; to put them in the market; that was, put them in the market at a great premium.

3295. But how were they to raise that premium?—By the division of new mines.

3296. But

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[Continued.]

3296. But if they discovered no mines?—Then there was no harm done. The 150,000 £. I thought was a speculation on their parts.

3297. They were to undergo all that risk, and to undertake the risk and trouble without getting any remuneration or seeing their way to getting any?—Well, put in that way it is so; but I suppose if a certain sum had been given them for their trouble no one would have raised any objection. It is the amount that is given that is the real difficulty.

3298. Do you think that this indenture or this lease is well drawn up? Do not you think it is a very loosely drawn up document?—I think it has evidently been made such use of that it has proved to be inefficient.

3299. Could you find fault with Messrs. Steward and Watson legally for acting as they have done?—It depends upon whether they knew of the spirit and intention of what was done.

3300. I am speaking legally, speaking of a legal document?—I do not know. I think a document ought to be interpreted by its spirit.

3301. It may be that the Government intended a different interpretation to what they did; but do not you think that it is quite open to the interpretation that they put upon it, that they could have the first issue, and then take the rest to themselves?—Well, I have given my reasons for thinking the contrary, knowing the spirit and intention of the whole thing.

3302. Yes, you knew the spirit and intention?—But I suppose anybody who confined themselves to the four corners could get a loophole.

3303. At all events, it is stated here "first issue"; that would lead you to suppose there ought to have been, at any rate, a second, if not a third, issue of similar shares?—Yes, that is what I think. It is said the words "first issue" ought to have been entered in the bond.

3304. Suppose there had been a second issue of 150,000 £., do you think they would then have been justified in issuing fully paid up shares for their own profit?—The amount is rather a difficult sum to calculate, it strikes me.

3305. I am looking upon the principle, rather. Suppose it were 100,000 £., that must affect the paid-up shares?—I imagine nobody would have raised any objection to it if that has been the amount.

3306. You do not object to the principle in that case; it is the amount you object to, rather?—I only say no objection would have been raised to it. I do not say that it would have been quite the right thing to do, because anybody who understood the intentions of the documents would not think so.

3307. One person has one intention, and another another; they had one intention, and the Government of India another intention?—Certain people knew it; certain of their shareholders must have known it. Anybody who had part and lot in the previous discussions must have known of the Government's intention; therefore they would have known it. Two of the shareholders, at any rate, had had a part and lot in it.

3308. I quite believe what you say the intention of the Government of India was?—Yes, yes; but the people who had part and lot in it (I mean of the concessionnaires) all of them had shares; Abdul Huk, and I suppose Mr. Winter. I cannot conceive that they did not know the spirit and intention of what was done.

3309. Mr. *Labouchere*.] And Mr. Watson in London, I presume?—Mr. Watson was in London. I do not know what he was informed. If he was kept informed of all the details by his agent he would have known; at least I cannot understand his not knowing or understanding it.

3310. Mr. *Slagg*.] May I ask why your assistant did not check the deed clause by clause?—I went through it.

3311. You went through it yourself?—Yes, I went through it.

3312. And did Sir Salar Jung sign it in your presence?—No, I do not think he did.

3313. Do you know that Sir Salar Jung took the Nizam's opinion, and that it was favourable to the deed before signing it?—He probably informed him that he had signed it. He did not take his opinion, I should say, on the bond.

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3314. You

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[Continued.]

3314. You do not think he consulted the Nizam at all?—Not beyond informing him what was done.

3315. Do not you think it would have been a prudent thing in such an important concession, having regard to what it was worth to the Nizam?—The Nizam took an interest in the mine and the royalties. I remember his speaking to me about the mine and the royalties. In speaking to him about it he was interested in that part of it; but he was not devoting himself very much to public work at that mine.

3316. Was there not a Council of State of some sort in the Nizam's dominions?—It never sat. It was practically a dead letter at that time. On Sir Salar Jung's accession to the ministry, it hardly ever sat. It did very little.

3317. But did not this Council meet to hear of the concession?—No; the Council was only a consultative body.

3318. Did they never hear of the concession?—They were only a consultative body; they had no executive power whatever.

3319. But did not they hear of this concession?—It was never laid before them, I think.

3320. You never heard of the terms of this concession having come to the knowledge of the Council, and the Council resenting those terms?—No, never.

3321. Such a thing is not within your knowledge at all?—No.

3322. Do you think that more favourable terms could not have been made for this concession than were eventually agreed to?—On the understanding that the concession was going to be sold, or on the understanding that it was not going to be sold?

3323. On the understanding that it was going to be sold?—I dare say they could have been; but I did not know it was going to be sold.

3324. Did you never hear of more favourable terms having been offered?—No, never. The only time I heard of it is in that letter in which Sir Salar Jung alludes to it, and says he could have been given better terms, only that Abdul Huk had represented that the railway was deserving of its reward. But that was never the view of the Government of India or myself. It had nothing to do with the railway.

3325. You have said in the course of your examination that the railway had nothing in the world to do with the mining concession?—I said it had nothing to do with it from my point of view, or that of the Government of India.

3326. They were not linked together in any way?—They were not linked together. I never looked upon it as a reward for the railway, but as a sound scheme on its own merits.

3327. In your mind it was a separate transaction altogether from the railway; in your view, Mr. Watson's interest was not united with the two operations?—Abdul Huk had undoubtedly promised it to him on the score of the railway; but as regards our support given to the scheme, it had nothing whatever to do with it.

3328. Then this association of the railway scheme did not weigh with you in any degree?—Not in the slightest degree.

3329. Now as to Mr. Hughes' function, the Government geologist, I understand his services have been lent to the Company?—Yes; it is a very common thing to lend their servants.

3330. Is that a common thing with the Government to lend their servants to a private company?—I think he is lent to the Nizam's Government.

3331. He is lent to the Nizam's Government?—They applied for his services, if I remember rightly.

3332. Not to the Company. I think Mr. Watson and some others are under the impression that he is lent to the Company?—It is a matter of how you look at it; I do not remember.

3333. Mr. Labouchere.] He is paid by the the Company?—He is paid by the Company.

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[Continued.]

Sir Richard Temple.] It is in Mr. Watson's evidence.

3334. Mr. Slagg.] Then are you not aware that upon Mr. Hughes' reports a great deal has happened, and that the public mind has been influenced considerably with regard to their estimation of the value of the property?—I think Mr. Hughes' reports represent his own opinion. I do not think they are *written to order*; at least, I would not impute it to him for a moment. His character is high, and they undoubtedly represent *his* opinion.

3335. Do not you think that the opinion of Mr. Hughes, he being an officer in the Indian Government, is really a matter of very great importance?—Yes; and as I say, I believe fully that he gives his opinion.

3336. And that he cannot disassociate himself from his official position in giving those reports?—I have no recollection of his services being applied for.

3337. You say it is a common thing for the Indian Government to lend their officers to a private company?—No; but to Native States.

3338. In this case he is lent to a private company, and paid by them?—Paid by them, undoubtedly.

3339. To make reports; and their shares are affected by those reports. Do you consider that a regular transaction?—It is one the Government of India can answer for, and I have no doubt they could give a good reply.

3340. Do you think it is a prudent thing to do?—I should think it is a useful thing as a check on false reports. It is very likely that a purely paid agent, with not a reputation to lose, would require some check of that sort, but a man with a reputation to lose is much more likely to be guarded in his statements.

3341. Quite so; because he is a Government official, or because he imports into his statement Government responsibility?—Certainly, and that is the reason why the Government of India lent him in order to insure protection against one-sided statements.

3342. I do not see exactly why they lent him to the private company; but you say that is a common thing?—No, no; I do not. I say it is a common thing to lend their servants to native States.

3343. Then it is irregular to lend Mr. Hughes to a company; I do not say it is irregular. They have power to do what they like.

3344. Was this draft concession submitted to an expert in these matters?—It came from an expert, as I understood it. It came from the solicitors, White, Borret & Co., I believe; I do not know the names.

5345. Those are solicitors for the concessionnaires, are they not?—No, they are not; they are for the Government of India, and you will find in their letter that they contemplated this very thing; the reservation of the shares for further operations.

3346. You said a very short time ago that in your opinion the scheme was sound. You found that opinion, I suppose, upon your impression that the whole million would be capable of being called upon for the development of the mining work?—Yes, I said so, I think; this is the expression: "It appears to us, however, that the original proposal contemplates a *bona fide* company for the purpose of working the mines with a larger capital over and beyond the 100,000*l.*

3347. And in reference to the soundness of the scheme you formed that opinion when you thought that the whole 1,000,000 *l.* of the capital was to be available for the purpose of the Company?—Yes, I did.

3348. Is that opinion modified now you know it has been watered to this enormous extent?—Oh, yes it is. Undoubtedly I should not advise anybody to invest or to give that amount of money for shares.

3349. You look upon it as quite a different undertaking?—Yes. I do not see how 150,000 *l.* can pay the interest of 1,000,010 *l.* That is what I do not see.

3350. Then the Indian Government, it appears from these documents, thought very highly of the Singareni coal mines?—Yes.

3351. They always did so?—Yes.

3352. Have they modified that opinion?—No, not at all.

3353. And have they modified their opinion recently as to the general value of

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of the mineral resources of the country?—No, I do not think so. I do not know, but I fancy not. I see no reason to do so.

3354. Mr. *Bristowe*.] I understood you to say that the first time you became acquainted with the fact that capital of 850,000 *l.* had been issued was in January of this year?—I think it was in January.

3355. It appears that there was a memorandum issued by Abdul Huk to the Government of the Nizam of the 7th May last year, recommending the Government to make an investment in the shares of the Hyderabad Company?—Yes, that was never laid before me. I never saw that letter before.

3356. It was stated certainly at the last meeting that it received your sanction?—No; Colonel Marshall's.

3357. The purchase?—Yes, the purchase did, but not on that memorandum.

3358. You consented, or approved, of the purchase on the part of the Government of 12,000 or 10,000 shares in this Company?—I should never have done it. No Resident could have advised —

3359. Did it, or did it not, receive your approval (the purchase), that is the point I want to get at?—The purchase did.

3360. In that statement of Abdul Huk it was clearly pointed out that 850,000 *l.* had been issued to the concessionnaires?—But that statement was not laid before me you will find.

3361. That statement of Abdul Huk was not laid before you?—The statement, Sir Henry James read?

3362. No, the statement from Abdul Huk recommending the Government to purchase a large portion of the Company in order to have the control over it, and calling to mind the effect that the purchase of the Suez Canal Shares had on this country.

3363. You saw that memorandum did you?—I never saw that memorandum which was read out by the honourable Chairman.

3364. Do you mean to-day?—No, the other day.

3365. The Mahdi Ali distinctly stated that the purchase had your sanction?—Yes, the purchase had, but that memorandum was not laid before me.

3366. You never saw that memorandum?—No, not that memorandum. I believe it was laid before Colonel Marshall, but it never came before me.

3367. I think it was distinctly stated that these shares were issued to the concessionnaires, and at that time when you consented to the Government purchasing these shares you had no knowledge of the way in which the Company had been started?—Until the other day I had no knowledge of how companies started or could be started.

3368. Excuse me troubling you upon this point. You must have been aware that more shares had been issued than the 15,000, otherwise it would not have been possible for the Government to buy 10,000 out of the 15,000?—Yes.

3369. Did you make no inquiry as to the way in which the balance of the shares had been issued when you gave your consent to the purchase?—No, I do not. It did not strike me.

3370. Am I to take it, really, that you gave your consent to the purchase of the shares, knowing really nothing whatever about the formation of the Company?—No, not knowing anything about the formation of the Company.

3371. *Chairman*.] I gather from these papers that in February 1885, you were, and had been, in communication with Mr. Winter?—Yes; 1885. I think it commenced in 1885.

3372. Here is a letter of yours, 4th February 1885?—Yes.

3373. Mr. Winter at that time was acting as agent for Messrs. Watson and Stewart?—Yes.

3374. But you saw him frequently, I suppose, about this concession?—I saw him during his stay. He did not stay very long.

3375. Were you also in communication at that time with Abdul Huk?—Oh, yes.

3376. What part did Abdul Huk take in drawing up or fixing the terms of this concession or arranging the terms of the concession?—It was mostly done in London as regards that. I do not know.

3377. Did

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[Continued.]

3377. Did Abdul Huk take any part in it?—I cannot say; no, not that I remember. The draft had come bodily from England, and the only details were the alterations. He was supposed to be advising Sir Salar Jung.

3378. Who was?—Abdul Huk.

3379. He was the younger Sir Salar Jung; in February was he the Prime Minister?—Oh, yes; in February 1885, he was.

3380. Sir Salar Jung was Prime Minister, and Abdul Huk was advising him?—Abdul Huk was advising him.

3381. Mr. Winter was there, as representing Steward and Watson, urging his view of the terms of the concession in the interest of the concessionnaires, which, of course, had to be accepted or refused by the Hyderabad Government?—Yes.

3382. And the advice, I suppose, as to whether the concession should be accepted or refused mainly depended upon Sir Salar Jung?—Yes; and Abdul Huk.

3383. That being so, did Winter or Abdul Huk ever tell you that Abdul Huk was a partner in all the advantage the concessionnaires would gain?—No; not a word. I had no reason to suspect it.

Mr. *Mayne*.] I wish to ask him, Sir, in reference to his letter of the 31st August, page 23, of the Parliamentary Return, and Mr. Winter's statement in regard to it in his evidence.

Chairman.] We have it in evidence, I think.

Mr. *Mayne*.] Yes; but I want to ask him about in regard to Mr. Winter.

Chairman.] What do you want to ask?

Mr. *Mayne*.] Mr. Winter, the Committee will remember, disclaims having had any discussion with Mr. Cordery upon the subject. Mr. Cordery gives a different statement.

Chairman.] Just ask Mr. Cordery.

3384. Mr. *Mayne* (to the *Witness*).] Would you just read the first three paragraphs of that letter of yours of 31st August 1885; you see you say that you submitted the two memoranda; that is the Memoranda A. and B.?—Yes.

3385. "Which contained several alterations suggested by the Government of India in the draft agreement, for the consideration of His Highness's Government and the agent of the Company; Mr. Winter, who is the attorney in India of Messrs. Watson and Stewart, concurred generally in the proposals, with the exception of one point, which will appear hereafter;" did you lay those two memoranda and the letter of the Indian Government before Mr. Winter?—Yes, I think he was staying with me, or, if not, with an assistant resident.

3386. He says he was staying with you at the time; did you discuss the memoranda and the changes suggested by the Government of India with him?—I left him generally to discuss them with the Nizam's Government (Abdul Huk) as they were the parties to it. I do not remember any verbal discussion beyond just handing him the papers to read and consider, and to finally send in his answer officially to the Minister.

3387. This is what Mr. Winter says about it, "I breakfasted with the Resident one morning, and he showed me these papers. (Q.) Yes; he states it, you know?—(A.) Yes; he asked me what I thought of them. I said, 'I cannot interfere in the matter a bit. I have signed the draft already in January last, and approved of it as it stood. I cannot go behind my acceptance of it, and I do not think it is fair I should discuss it at all. The only thing I would venture to point out is that the Company cannot be formed by the date mentioned by the Government of India, that is January 1886.' I said 'until the line is assured down to the coal-fields, the Company never can be started.' That is the only suggestion I made, and I did not interfere or take any part in the negotiations

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negotiations between the Government of India, or the Resident, or the Nizam's Government, and I never saw those papers until they were printed in that book; and as a matter of fact, I was in England during the greater portion of the time those letters were being penned. (Q.) Still you were shown these?—(A.) I was shown them, and declined to discuss it?—I do not remember.

3388. Now is that true?—I have already said I do not remember any distinct discussion, but I do not remember declining any discussion. I left him to discuss with the other principal.

3389. You showed him the memoranda and placed them before him for his consideration?—Yes, I placed them before him for his consideration; that is all I did.

3390. When you say in your letter he agreed generally with the proposals which you are referring to, are you referring to concurrence expressed to yourself, or concurrence expressed officially to the Nizam's Government?—Oh, to concurrence expressed officially to the Nizam's Government, I think, if I remember rightly.

Mr. Mayne.] I wish to ask, Sir, as to those balance sheets which are stated to have been forwarded to him; the balance sheet of 1887 which discloses the 850,000 £.

Chairman.] Please, shortly.

3391. Mr. Mayne (to the Witness).] Were the balance sheets of the Company for April 1887 forwarded to you as Resident?—I have no recollection of them. They may have been; I cannot say one way or the other. Such things would often go in and be forwarded for information. The affairs between the shareholders and the concessionnaires were hardly at that time before us.

3392. Any documents forwarded by the Company for the Nizam's Government would, we understand, have passed through your hands; is that so?—I presume so.

3393. You were the medium of communication between the Company in London and the Nizam's Government, were you not?—I believe so. They have said so.

3394. Do you, as a matter of fact, remember whether these balance sheets did come or did not come?—No, I have already said that I do not.

Chairman.] He has said that he does not recollect.

Witness.] I do not recollect one way or the other.

Mr. Mayne.] Do you remember when they came what was done with them.

Chairman.] He says that he does not recollect, therefore he cannot know what would become of them.

Witness.] They would be forwarded for information, that is all, if they were received.

3395. Mr. Mayne.] I see that in the last paragraph but one of this memorandum of 7th May 1887, from Abdul Huk, laid before Colonel Marshall, advising the purchase of the shares; he says, "I have only to state, in conclusion, that I have laid," &c. (reading down to the word) "undertaking"?—No such statement was laid before me. What was said before me was this: he did say this much, that he might be blamed because shares had not been reserved for the Nizam in the same way as they had been reserved for Messrs. Watson; and in reply to that I said, "I do not think it makes much difference, because the price at which you will get them will not be very much above par. You see I was under the delusion that Messrs. Watson were responsible for the money.

3396. Chairman.] For what money?—For the 850,000 £.

3397. The 85,000 shares?—The 85,000 shares.

3398. Mr. Mayne.] You are still certain that the document itself was not before you?—

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[Continued.]

Chairman.] He says so. What points, Mr. Littler, do you want to ask?

Mr. Littler.] First, on the point of his own communications from the 28th October 1884 down to February as to this very question of the 85,000 shares.

Chairman.] I think you may take the question of the 83,000 £. rather briefly; we have got the documents very much as to that.

Mr. Littler.] You have not got these documents.

Chairman.] Then hand them in, please.

Mr. Littler.] Unfortunately I have not got them, and I want to ask whether he did not write certain letters which are in that book to bring the matter back to his recollection.

Chairman.] You must take the 83,000 £. very shortly.

Mr. Littler.] On page 36 of that Buff Book of Abdul Huk you will find a long paragraph beginning with the words "On 28th October."

Chairman.] We have not got the book before us.

Mr. Littler.] It was handed in to the Committee, and you said that you could not take anything because it was in there. Now I am trying to establish the facts, if they are facts, by Mr. Cordery.

Chairman.] Take this very very shortly, if you please.

3399. Mr. Littler.] I will do it as shortly as I can. (To the Witness.) Do you remember in October 1884 or thereabouts, Sir John Strachey having drawn your attention to an expenditure of 86,000 £.?—Yes, that is it came out. Sir John Strachey was it?

3400. Sir John Strachey?—That is how the 83,000 £. came out.

3401. That was the beginning of it, and you wrote, did you not, to His Excellency; I suppose that would be Sir Salar Jung?—Yes.

3402. Drawing attention to that, did you not, that 86,000 £.?—

Chairman.] Mr. Littler, may I point out to you that we have had already from Mr. Cordery that he went to Calcutta and saw the Indian Government there, and placed before them the fact that the 83,000 £. (it is called 86,000 £. here) had been expended, and that he met with the memorandum that had been put in with the sanction of the Indian Government.

Mr. Littler.] Now I am going to draw attention to another thing which you will find on the next page at the top.

Chairman.] What is that?

3403. Mr. Littler (to the Witness).] Do you remember writing to His Excellency on the 29th of January?—

Chairman.] Yes, quite so; we have that.

Witness.] It is on the file. I cannot remember the 29th of January 1884.

3404. Chairman.] You communicated what you learned on the 83,000 £. expenditure, we understand, to the Government of India at Calcutta, and went to see them and placed before them your views; then afterwards a memorandum is put in giving the sanction of the Indian Government?—Yes.

Chairman.] That is what you want, Mr. Littler.

3405. Mr. Littler.] Only one question on this. (To the Witness.) Did you know in January 1885 that Mr. Watson then had had his attention called to it, and had been asked to explain whether he had had any part of the 86,000 £.?—I have already said that I thought Mr. Watson was the first who had to do with the exposé of that.

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3406. Mr.

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3406. Mr. Watson?—Mr. Watson and the directors of the Deccan.

Chairman.] Unless you suggest it, Mr. Littler, nobody suggests that Mr. Watson had part of the 83,000 l.

Mr. Littler.] I want to show that he had his attention called to this, that he then got news from India that the 83,000 l. was regarded as being fairly Abdul Huk's reward; he said it was.

Chairman.] Who said?

Mr. Littler.] Mr. Watson said he knew about this.

Chairman.] You may assume that he did.

Mr. Labouchere.] Mr. Watson has stated that he did.

3407. *Mr. Littler (to the Witness).*] Do you remember a letter being sent to you on the 4th February by the Minister; that is Sir Salar Jung?—If you will tell me the contents of it, I may, but there are so many letters.

3408. The one from India, with that letter of the 4th February, enclosed a full statement by Abdul Huk, including the setting out of this letter of the 5th January about the mining concession; do you remember that?—No, I do not.

Chairman.] This is the letter Mr. Labouchere asked about of the 28th December, which was put into the Witness' hands, and he says he has never seen it.

Mr. Littler.] I am trying to refresh his recollection, because our instructions from India are that a long statement, and that a full written explanation of the 2nd February which contained the letter of the 5th of January; the second letter was actually transmitted to Mr. Cordery on the 4th February.

Chairman.] Mr. Cordery said, in answer to Mr. Labouchere, that he has not seen that letter of the 28th December 1881, that is the English letter of the 28th December 1881. It is not cross-examination to that point that will give the Committee any assistance.

3409. *Mr. Littler (to the Witness).*] Can you undertake to say that there was no copy of the letter of the 5th January, enclosed in the letter of Sir Salar Jung, which was forwarded to you on the 4th February 1885?—I had had the English letter; I must have remembered it, because I had to represent it to the Government.

3410. The inquiry took place on the 29th January; then the other letter is on the 4th February. The inquiry which you had was on the 29th January evidently?—No; it was later than that when I went up. I do not remember whether it was Calcutta or Simla. I think it was Simla I went up to.

3411. *Mr. Littler.*] I cannot take it any further than that if Mr. Cordery does not remember it. I am just going now to the question of the shares, Sir. (To the *Witness*.) When you approved of the purchase of the 12,000 shares how many shares did you suppose had been issued at that time?—I do not know.

3412. You knew nothing was going on except coal-mining?—

Chairman.] He has said so.

Mr. Littler.] Except coal-mining.

Witness.] Nothing was going on.

3413. Which you said would be covered by the 150,000 l. Did you suppose anything beyond the 150,000 l. had been found in cash?—There were no other works going on. I do not remember that I knew the exact amount to be purchased. I only approved of the purchase of shares.

3414. Then do you mean to say you approved of the purchase of shares without knowing how many?—Yes.

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Chairman.] That is exactly one question that one of the members of the Committee asked. Mr. Bristowe put this very question.

Mr. Littler.] I was listening very carefully, but did not catch it.

Chairman.] I beg your pardon. The very question that you have put was put by a member of the Committee.

3415. *Mr. Littler (to the Witness).*] What is Mr. Furnivall's position in India?—Mr. Furnivall is a retired engineer. He retired on his pension, but has taken work from both companies.

3416. He was a gentleman high in the service before he retired, was he not?—Yes.

3417. A gentleman well-known for his experience and knowledge in India?—Yes.

3418. And his position and standing?—And his position. He is one of the best practical engineers in the country.

3419. One of the best practical engineers in India, have you any doubt (I will not submit one question that has been asked by the Committee) that the Singareni coal-field is a good and valuable coal-field?—Very valuable indeed. I have no doubt it is.

3420. And the Government are very anxious to get it opened as soon as possible, are they not?—Yes.

3421. I want to ask you just one more thing. In what way do you suggest to anyone or to the Committee that the issue of the 850,000 l. shares ever has prevented money being found for the new undertaking?—It would be a new charge, that is all. Of course money can be found; but found at a heavy price.

3422. Either by debentures, preference shares, or by forming a new company, you think there is plenty of field for a good deal of capital there, do you not?—It depends on the discovery. It makes it much more speculative. It would be an admirable affair otherwise.

3423. You say you talked to Mr. Winter, and had conversations with Mr. Winter which led you to suppose that this 850,000 l. was going to be taken up, the whole of it, in fact, in cash. How did it come about that you had any such conversation?—I do not remember that I had such a conversation.

Chairman.] He did not say so.

3424. *Mr. Littler.*] Are you sure that you had any such conversation?—I do not think I ever said so.

Chairman.] I do not think the Witness said so.

Witness.] No, I did not.

Mr. Littler.] "I talked it over with Mr. Winter."

Chairman.] He had an interview with Mr. Winter and discussed the terms, he says.

Mr. Littler.] You put those words, did you not?

Mr. Labouchere.] With regard to the Indian Government.

Mr. Littler.] There is a memorandum in the front of this Buff Book which we have been very anxious to know something about. May I show it to the Witness and ask him whether he knows anything about that, or remembers it.

Chairman.] We do not object to that, but it is not proof.

Mr. Littler.] It is a very important memorandum if we can any information about it.

3425. *Chairman (to the Witness).*] Have you ever seen the original of such a document as that?—No; it never come before me at all. It is an internal thing.

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3426. Mr.

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Mr. CORDERY.

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3426. Mr. *Littler*.] We must take it for what it is worth, and accept the general statement; is that a Government publication of Hyderabad, or not?—No, I should say it is a printed thing for record in the office.

Chairman.] It is printed by Abdul Huk.

Mr. *Littler*.] The Mahdi said so; and our own instructions are that he was in error, and therefore I ask this gentleman. Our instructions are that the Mahdi was under misapprehension, and that this really is a Government official document; and I wanted to see from Mr. Cordery if he knew.

Chairman.] He says he does not.

Witness.] I think it is only printed from record in their office.

3427. Mr. *Littler*.] The record of the Hyderabad Government office?—I have no reason to know. I have no knowledge of who printed it.

Mr. *Labouchere*.] In Huk's own office, if Huk issued it.

Witness.] Yes, it is issued in Huk's own office.

3428. Mr. *Littler*.] Do you say that this is an official record of the Government office at Hyderabad?—This paper?

3429. Not the outside of it?—No.

3430. That is bound in England. From the buff page onward is the Indian portion?—No, I cannot say that it is, because there may be omissions.

3431. I mean to say, so far as it goes. I do not mean to say that it is perfect, or anything else; but, so far as it goes, would you look upon that as being a Government official record of what has taken place in the Government offices, for what it is worth?—Not unless it is complete. If they record things in this form, as is done a great deal in the Indian Calcutta office, it would be so; but I do not know whether they generally file the written documents or print them, and file them in the sheet.

3432. You as Resident, are, however, in the habit of receiving papers with the print, and bound in that way, from the Government of Hyderabad?—No.

Mr. *Littler*.] I am afraid Mr. Cordery does not carry it any further. I am very anxious, if possible, to get that fairly in.

Chairman.] What do you want to ask, Mr. Pember?

Mr. *Pember*.] First, if by chance he can answer a question that a witness the other day could not answer, as to whether the certificate of the registration of the Company was sent over to India with the Memorandum and Articles of Association?

Chairman.] You may ask that, if you please.

3433. Mr. *Pember* (to the Witness).] Do you remember the fact that the certificate of the registration of the Company was sent over to India in the autumn of 1886?—No, I cannot remember; it certainly did not reach me.

Mr. *Pember*.] If Mr. Cordery do not even know that the certificate was sent, Sir, he is not likely to know the other.

Chairman.] We have the original letter, but it does not mention the Articles.

Mr. *Pember*.] No, there was an assertion by one Witness that they were sent, and I thought Mr. Cordery would possibly be able to clear that up. There is a question which I dare say you will allow me to ask him, that is, whether he can give us the date of this memorandum in a return published by the authority of the House of Commons, which is called: "Copy of Memorandum of Sirdar Dilar Jung, Secretary to His Majesty the Nizam's Government (Home Department), on the Budget Estimate of the Railway for Fasli, 1297." It has been printed by the authority of the House of Commons,

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Mr. CORDERY.

[Continued.]

Commons, and I wanted to know if we could get at what the date of that memorandum was.

Mr. *Labouchere*.] It is the Yellow Book, is it not?

Mr. *Pember*.] The Yellow Book I have seen is not complete, and I think the one the Right honourable Chairman has is not complete, but here is the memorandum in a return. It does not purport to bear any date. If you just look at that, Mr. Cordery, I think you will see what I mean.

Chairman.] Is that the memorandum dated "Fasli, 1297"?

Witness.] Yes.

Mr. *Pember*.] There is no doubt about this that the Fasli year 1297 began in June 1887, and will terminate in June 1888, but what I want to know from the Witness if it is possible to get at it is this:

Mr. *Mayne*.] 1296 and 1297. I think it would begin 1296, then 1297.

Mr. *Pember*.] That is what I mean. I know that the year 1297 in the Hindoo calendar begins in June 1887 and ends in June 1888.

Mr. *Mayne*.] No, no, Mr. Pember. It begins in 1886 and ends in 1887.

Chairman.] That is more likely.

Mr. *Pember*.] I am very much obliged to you for the correction. If that is so, and if those documents refer to the year beginning June 1886 and ending June 1887, the witness can tell me whether it is not the fact that that memorandum must have been presented to the Government some time in the year 1887.

Witness.] You mean presented to the Nizam's Government?

3434. Yes?—I believe so, but I do not know.

3435. If you would not mind thinking for a moment, is it not almost a certainty that it must have been; when these returns for the budget are usually made, are they not made at all events at the end of the year to which they refer?—They are generally made before the year commences if they are made at all.

Sir *Horace Davey*.] Yes, it is a Budget Estimate.

Mr. *Pember*.] Yes, it is a Budget Estimate.

Witness.] This is a Budget Estimate.

3436. That being in the Fasli year which ends June 1887, when in the natural course of things would that be presented to the Nizam's Government?—They are so very late very often in the preparation of their Budgets.

Chairman.] What is the point of this "when presented?" If it contains matter ending June 1887, when presented, is not that what you want?

Mr. *Pember*.] I want, if I can, to establish the fact that that would have been presented to the Nizam's Government probably before July 1887.

Witness.] I do not say so for a moment.

Chairman.] What does July 1887 represent?

Mr. *Pember*.] July 1887 represents a date which is interesting to me, Sir; because to begin with it was a year ago, and I have a particular object in view.

Chairman.] That is interesting to all of us; but how is that interesting to your client?

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[Continued.]

Mr. Pember.] Well, I will tell you at once. It contains the whole story of these fully paid-up shares being issued free.

Chairman.] Take it that they knew it some time after July 1887.

Mr. Pember.] Before June 1887.

Chairman.] No, no.

Mr. Pember.] Yes, because that is the end of the year to which that Budget refers.

Chairman.] Then it must have have been published by the end of June 1887.

Mr. Pember.] No.

Chairman.] Why?

Mr. Pember.] Because Mr. Cordery says it is usually published at the beginning of the year to which it refers.

Witness.] I say it ought to be; but it is very different in practice. Very often Budgets come out four or five months late; but Abdul Huk is an exception. It was probably published within a month.

Mr. Pember.] Surely the Budget Estimate would hardly come out after the end of the year to which it refers?

Witness.] After the end of the year?

3437. Yes?—No; not after the end of the year.

Chairman.] Will you allow me to say if this is to be established that you wish to bring home that it was prior to the purchase of the shares in June 1887 that we must have some much stronger proof than probability, through Mr. Cordery as to the practice; we should not assume this was published because Mr. Cordery thinks it probable; it must be proved in some way.

Mr. Mayne.] It contains an appendix going down to August 1887.

Chairman.] We are aware of that.

Mr. Pember.] Appendices that may have been added at any time.

Chairman.] We must not discuss it in this way.

Mr. Pember.] I merely asked whether Mr. Cordery could lead us to the date at which that was presented.

Chairman.] He cannot.

Mr. Labouchere.] Was it ever presented?

Mr. Pember.] It is very odd to suggest; it seems to me that this Return, of all other Returns, should never be presented. The India Office make a Return; you could ascertain from the India Office when it was presented.

Mr. Labouchere.] Who was it presented to?

Chairman.] We cannot discuss this, please; it must be proved.

Mr. Pember.] One other question about the Memorandum of the 7th May 1887. I understood you to say (but somebody asked you a question before you had well finished your answer), that although the Memorandum of the 7th May 1887 by Abdul Huk was not officially sent to you, it was officially sent to his own Government.

Chairman.] Mr. Pember, that is for Abdul Huk's counsel.

Mr. Bristowe.] He said he never saw it.

Chairman.]

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[Continued.]

Chairman.] First he said he never saw it. You are counsel for the Company. This is Abdul Huk's matter, if anybody's.

Mr. Pember.] It refers to my Company. Forgive me for seeming pertinacious, but there is a particular phrase and paragraph in it which distinctly refers to my Company.

Chairman.] This is a matter for Abdul Huk's counsel, if for anyone at all.

Mr. Pember.] Excuse me for saying I do not think it is; but as Abdul Huk's counsel has now come into the room, he can ask the question.

Chairman.] We have not been aware of his absence.

Mr. Pember.] There is one other question I should like to ask Mr. Cordery if you will allow me. (To the Witness.) An honourable Member of the Committee asked you whether Abdul Huk was not advising Sir Salar Jung, junior, on the policy of granting the concession to the concessionaires. Surely the question whether there was to be a concession of some sort had been settled long before Sir Salar Jung had become Prime Minister?—I have already said it had been approved.

Chairman.] A concession, if you please.

3438-9. Mr. Pember.] A concession; but that is the form that the question took. (To the Witness.) Did I understand you to say that so far as you know Abdul Huk took no part in settling the details of the actual deed?—I said the deed was done in England.

3440. And you do not know that he took any part in it?

Chairman.] Really, Mr. Pember, that is not a question for your Company.

Mr. Pember.] Then I do not know what is.

Sir Horace Davey.] Sir, I will assist my learned friend in any way I can with regard to that question whether the memorandum of the 7th May was presented to the Nizam's Government. Of course it is plain, because we have got the endorsement of Mahdi upon it in the year—

Chairman.] We will not argue it, please. That is so.

3441. Sir Horace Davey (to the Witness).] With regard to the memorandum of the 7th May 1887, was that ever sent to the Resident's office?—Not that I remember.

3442. Were you at Hyderabad in May 1887, can you remember?—I left about the 10th May, if I remember rightly.

3443. Did you leave permanently on the 10th May 1887?—No; only for about six weeks; up to the time the rains began.

3444. That conveys a meaning to your mind, but it does not convey the same meaning to mine?—I beg your pardon; about a month.

3445. About a month or six weeks; and during your absence, who was in charge?—I think the first assistant there was Captain Cornish.

3446. I suppose you kept records at the Residency at Hyderabad?—Yes.

3447. Have you looked amongst the records of the Residency to see whether you have a copy of that memorandum of the 7th May 1887 there?—No, I have not made any express search for it.

3448. So that for anything you know to the contrary, it may be there?—I think it is very doubtful. If it had been sent there, it would have been probably forwarded by the First Assistant to me, unless sent merely for information.

3449. You are only speaking from probabilities?—Yes, I am speaking from probabilities.

3450. I do not know when you commenced being president at Hyderabad. What was the date?—April 1883; the 1st April 1883.

3451. And your predecessor was Mr. Jones?—Yes.

3452. Were you at Hyderabad in residence during the months of December

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1883

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Mr. CORDERY.

[Continued.]

1883 and January 1884, can you remember, while this document was under discussion?—Which document?

3453. December 1884 and January 1885, while the terms of this concession were under discussion between Mr. Winter and Sir Salar Jung?—I was there part of the time, undoubtedly; but part of the time I was travelling in the interior.

3454. Of course if you cannot remember, I must accept it. Did you see Abdul Huk upon the subject of this concession during those months I put to you, December and January?—Well, I really cannot remember 1884 and 1885. It is now 1888.

3455. I only hoped you might; but I am not in the least suggesting that you ought. I will ask you definitely this question: Abdul Huk states in his memorandum that his advice was to maintain the limit of 500,000 l. which was the amount of the subscribed capital in White and Borrett's draft. Do you remember that?—No; I have seen that stated, but it was never referred to me.

3456. You remember 500,000 l. was the amount of subscribed capital in the draft prepared by Messrs. White and Borrett. You remember that?—Yes; it was reduced by the Government of India.

3457. Now, I will ask you, is it within your knowledge, or in your recollection, that Abdul Huk advised the Nizam, and that Abdul Huk's opinion was that the limit of 500,000 l. which had been inserted by White and Borrett should be maintained. Can you speak as to that?—It has never been told me on any authority, but I have heard it.

3458. You have heard it?—It was never told me by the Minister or anybody.

3459. But you heard it unofficially?—Yes, unofficially.

3460. Long before this inquiry?—Yes, long before this inquiry.

3461. And before there was any question such as has been raised?—Yes, long before that.

3462. What was Colonel Marshall's position with the Nizam's Court?—He was private secretary to his Highness, and the object of his appointment was to represent things from the Minister to his Highness.

3463. Had he been selected by the Government of India?—By the Government of India, at the request of His Highness.

3464. At the request of the Nizam he had been selected by the Government of India to act as a confidential adviser; not secretary, but as adviser?—Yes, confidential secretary.

3465. But he was officially selected by the Government of India on account, no doubt, of his fitness for the place?—It was thought he would induce his Highness to take an interest in public affairs.

3466. I understand that before I came into the room you stated that you had no recollection of having seen the letter from Sir Salar Jung to Abdul Huk of the 5th January 1882; is that so?—No, I did not; those English letters I never saw.

3467. Any of them?—There are two of them.

3468. There are three?—I saw the vernacular one.

3469. You are quite right. There are two English ones?—I never saw those at all.

3470. You do not doubt that they were sent to the Residency, do you?

Chairman.] You must not, please. That is not quite for cross-examination. He says he never saw them, and knows nothing about them.

3470*. *Sir Horace Davey.*] I think you gave as your reason that you would probably have referred to them?—Yes, if I had seen anything stated in a document like that I should not have relied upon the vernacular letter which was weaker.

3471. And I think you said you would have referred to it in your communications to the Government after you went to Calcutta?—Yes, or Simla; Simla, I think it was.

3472. Either Simla or Calcutta; I do not care which; at any rate, when you went to see the Government. When was it you went?—

Chairman.]

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Mr. CORDERY.

[Continued.]

Chairman.] We have got that date carefully. He was there in February the next year. We have got all that statement.

Sir Horace Davey.] My instructions were that the date Mr. Cordery was referring to was June 1885.

Witness.] I think it was a little later.

3473. We have it in a document here, February 1885, "before proceeding?"—It was shortly after that.

3474. February 1885?—

Chairman.] Yes.

3475. *Sir Horace Davey.*] I want to put this to you: The Chairman has the original telegram, and I am not sure that the shorthand writer's note gives a full copy; the telegram which was read by the Nizam's agent or counsel on Tuesday states that those letters were sent to you in October 1885, so that they would not be before you when you went to see the Government, either in Simla or Calcutta, would they?—In what relation was the letter sent? The question was never in issue.

3476. Might not that have been the reason why it escaped your attention, that there was no question raised upon it?—You have not got the endorsement of the letter by which it was sent to the Residency.

3477. Unfortunately, I cannot spirit documents over from the Residency at Hyderabad to the Committee of the House of Commons?—No; but I mean there is none in their office. They admit they.

Sir Horace Davey.] It only rests upon this telegram. I quite agree, Sir.

Chairman.] We have the original telegram.

Sir Horace Davey.] The telegram as stated in the Notes reads this way: "5th February 1885. Huk wrote Sir Salar Jung justifying acceptance 83,000 l.; amongst enclosures to his letter was copy of late Minister's of 5th January 1882. Huk's letter with enclosures sent Mr. Cordery in October" (which, I presume, means October 1885), "Home Office; the one procured Residency, posted you last May."

Sir Richard Temple.] We have asked every word about this.

Mr. Labouchere.] Before you came in, Sir Horace Davey.

3478. *Sir Horace Davey.* (To the *Witness*).] Do you remember the Despatch of the Government of India to the Residency, dated March 1885, approving the original proposal of Watson and Stewart?—March 1883, not 1885; that was just before I came.

3479. Did you ever see it?—Yes, I looked through the file.

3480. And will you tell me whether it is not the fact that the Government of India approved of a concession being granted in accordance with the original. I see it is the Return of the correspondence, Sir, so I will not trouble Mr. Cordery with it.

Chairman.] These are the letters, 1881 and 1882, not "1885."

Sir Horace Davey.] If you remember, Sir; what was stated was that those letters had been forwarded by Abdul Huk to his Government in February 1885 under cover of a letter of the 2nd February 1885, and that that letter with the enclosures had been forwarded by Mr. Cordery.

3481. *Chairman.*] We are aware of all that. (To the *Witness*.) Do you know the handwriting of Sir Salar Jung?—Yes, I do.

3482. These no doubt are genuine letters, I suppose (*handing documents to the Witness*)?—The Salar Jung's signature, his own son can imitate so that you cannot tell the difference, but I think the letter itself is in the writing of his private secretary, Seyd Bilgrami.

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3483. What

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Mr. CORDERY.

[Continued.]

3483. What do you say to the signature?—It is like it. The “Salar” is not very much like it.

3484. You say the “Salar” is not very much like it?—No, not very. I have seen it written differently; but I imagine that the letter is genuine.

3485. You imagine it is genuine, why?—On account of the letter being in the handwriting of his private secretary more than from the signature.

3486. Mr. *Labouchere*.] Is the secretary a great friend of Abdul Huk?—No, he is not.

Adjourned for a short time.

MR. WILLIAM CLARENCE WATSON, re-called; further Examined.

3487. *Chairman*.] THE Committee now wish from you the result of your sales of shares, please; first, the exact number of shares sold by you?—Here is the exact amount; that is up to date (*handing in a document*.)

3488. Of the 5 *l.* paid shares (those are the shares making 150,000 *l.*), how many have you possessed?—Five thousand altogether.

3489. Those were your original shares?—My original.

3490. I understand you afterwards acquired more?—Not of the 5 *l.*

3491. Yes?—Some were transfers from Mr. Stewart.

3492. I use the word “acquire,” if they are transferred to you you acquire them?—Yes.

3493. They are transferred to you from Sharp, from Stewart—

Mr. *Littler*.] Might I ask leave for the Witness to follow you with a press copy before him?

Chairman.] He had better do so.

Mr. *Littler*.] It will save your time I think.

3494. *Chairman* (to the Witness).] You have obtained 12,194 5 *l.* shares?—Twelve thousand one hundred ninety-four.

3495. How many of those do you now retain?—They are all paid-up shares now, fully paid. The money was paid on the 7th November, so they are all 10 *l.* paid. They merge in the 64,015.

3496. Did you transfer them over to the 10 *l.* shares?—To the 10 *l.* shares on the 7th November on the last page, when the call was paid.

3497. You transferred 3,325 shares?—That is the amount I had then.

3498. That is what I want from you; you had 12,194; they were not all transferred; you had sold, I presume, 8,869?—They were transferred from time to time into my name.

3499. So we understand?—Transferred from Mr. Stewart and Mr. Sharp.

3500. Pray understand my question. We have passed that and understand it perfectly; having 12,194 you dispose of 8,869?—Eight thousand, I think.

3501. Is it 8,869; that is so in your document?—Three thousand three hundred and twenty-five off the 12,000 that would be.

3502. You have written it down “carried forward 8,869”?—It is difficult to say exactly how many of those are disposed of; they are merged in the 10 *l.* shares.

3503. Look at that document, is not *that* the rest, 8,869 that you have disposed of?—Those would be disposed of.

3504. That is the question I put to you; 8,869 you have sold?—On account of myself and others.

3505. On the Stock Exchange?—On the Stock Exchange.

3506. What did you get for them?—The prices are various, the average is about 10 *l.* each for the 10 *l.* paid.

3507. How many of what are called “fully-paid” shares, the 10,000, have you acquired; have you had altogether in your possession 64,015?—Less 3,325.

3508. Including

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Mr. WATSON.

[Continued.]

3508. Including the 3,325. I should say you had 64,015?—Yes, 64,015.

3509. How did you obtain those?—By various transfers to me, and by purchase.

3510. Twenty-three thousand nine hundred and six?—Allotted to me.

3511. Twenty-three thousand nine hundred and six allotted to you; at least, they were allotted to Watson and Stewart?—Yes.

3512. Those shares, 23,906, were your shares?—Yes, my shares.

3513. Transferred from Winter; did you purchase them?—They were 5 *l.* shares.

3514. They are put here?—I purchased them; that is right.—They were part of the adjustments of sales.

3515. What are we to understand by that?—I sold shares, and the others participated in the amount of the shares, and transferred those amounts to me as I put the money to their credit, or paid them.

3516. I do not know whether any member of the Committee understands that, but I do not understand it.

Mr. *Bristowe*.] Mr. Watson sold all shares, as I understand him, for the concessionnaires, and, he sold them, they made a pool, and transferred back into his name portions that belonged to them.

3517. *Chairman*.] October 20th.—Transferred, Mr. Winter, 1,138; cost 7,630 *l.*—Yes, I paid him 7,630 *l.*, or credited him in account, 7,630 *l.*; he transferred to me shares.

3518. How did you arrive at that amount of 7,630 *l.*?—That would be the result of the sales on the other side.

3519. Taking those 1,138 at a price which would produce 7,630 *l.*?—Yes.

3520. Then, more or less, you were selling these at that time at less than 7 *l.* a share?—At about 7 *l.* a share.

3521. Mr. *Labouchere*.] Were those 5 *l.* or 10 *l.* shares?—£. 10.

3522. *Chairman*.] The 10 *l.* “fully paid” we have in the result that you disposed of 64,015?—Yes.

3523. Including, however, the 3,325 transferred?—Yes.

3524. And the balance of the shares is 5,559?—Yes.

3525. Are those all the shares you hold now?—Yes.

3526. And you have held them?—I have held them.

3527. That leaves, of the fully paid-up shares, 2,600 that you have retained?—Yes, of the fully paid.

3528. And there were allotted to you in round numbers, 24,000?—Twenty-four thousand.

3529. I think it is fair to ask you this question: if your view of the thing was that it was so properous and so valuable, why did you sell those shares?—Well, one always sells to realise. It is a merchant's business to realise ready money and to go into fresh things.

3530. Well, I will say no more; your idea was to realise; then how much money have you received; can you give the Committee that statement; first from the sale of your shares which, in round numbers—?—The balance shown here on the account, on the last page.

3531. That is not what I want; this statement involves a great deal more than I want; call your allotted shares 24,000, for a round number, of which you have 2,600 remaining; how much have you received from those shares?—From what I have sold?

3532. Yes?—£. 188,000.

3533. That was your share?—Yes; my share.

3534. £. 188,000?—Yes.

3535. Which would be under an average of 10 *l.* a share?—Yes; under an average.

3536. We perfectly understand; I am asking you apart from the 5 *l.* shares?—They are all blended in here necessarily.

3537. No; the 3,325 are blended?—3,325; yes, they are blended.

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3538. Three

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Mr. WATSON.

[Continued.]

3538. Three thousand three hundred and twenty-five; but for the 8,869?—This money includes the sale of those as well.

3539. It may be so; does the 188,000 £. include the 5 £. and the 10 £. shares?—Yes.

Mr. Labouchere.] How many of them are 5 £.?

Chairman.] We have got the figures here.

Witness.] Yes; you have got the figures.

3540. In addition to this 188,000 £. for your, what we will call, 24,000 shares?—20,000.

3541. Have you had transactions in the market?—Oh, yes.

3542. Buying and selling?—Very few, as you will see by this. The first purchase I made in the market was in February 1887, then I bought 1,000 shares in February 1887.

3543. Yes; you you acquire partly by transfer from Stewart; Sharp, Stewart, and so so?—Those who have to go against the sales I made.

3544. I perfectly understand that. Then you bought from R. S. Evans?—Yes.

3545. And you bought from Anderson & Co.?—Yes.

3546. A thousand shares?—1,000 shares. That is February 1887.

3547. You bought repeatedly in May and July 1886?—Yes.

3548. Ellis, Davis, Strain, Ellis, 2,000, and forth on?—Yes, then there were a few purchased after that. That is entirely as the demand was; if there was a good demand.

3549. What did you buy them for?—If people offered me the shares cheap I would buy them. I never sent into the market to buy them. People said "here are these shares; I can offer you them at such a price."

3550. Was that to keep up the market?—No.

3551. To make money of them?—To make money.

3552. How much?—Sometimes I lost.

3553. How much on the balance?—This is the balance.

3554. I wish you to distinguish the shares allotted to agents to sell on the market, and the results of shares sold and purchased on the market?—That it would be impossible to say.

3555. You cannot tell me?—It is impossible to get that, but in the result this account shows the whole transaction.

3556. Will you explain this transaction of a sale to Anderson of 27,106 shares?—That was the sale to Anderson when a great demand sprung up.

3557. Was that for him to resell on the market?—No; to sell them for my account.

3558. Here is a sale to you, or a transfer by you to Anderson; was it to sell as your agent?—He did sell.

3559. As your agent?—As my broker.

3560. Mr. Labouchere.] Through Evans?—Through Evans.

3561. Chairman.] Was the transfer to Anderson in one batch?—Sold through Anderson.

3562. You had to transfer to him so that he might sell?—They were transferred afterwards.

3563. Will you explain to me what you mean. You have under the head of Anderson, 27,106 shares?—Sold through Anderson.

3564. Shares disposed of?—Shares disposed of. Here are the transfers.

3565. You have just told me that Anderson was acting as your agent to sell?—Yes, my broker.

3566. If he was your agent to sell, you would not first sell to him; he would become the principal if you did?—He sold them in the market.

3567. Then he sold as your agent?—Yes; he sold to the jobbers.

3568. Do not keep changing the terms; you keep telling me you sold to him; as I understand, you never sold to him?—Sold through him.

3569. You

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[Continued.]

3569. You transferred to him for the purpose of selling for you?—I never transferred to him.

3570. You placed them at his disposal?—He sends in the transfers.

3571. You place them at his disposal?—No; to sell them in the market.

3572. Then you place them at his disposal to go to the persons to whom he sells them?—Exactly.

3573. If you say "yes," that is the transaction; he finds a market for the shares?—Yes.

3574. Did he receive 10 s. per share on all those shares?—Yes.

3575. You say you cannot tell me the result of all these proceedings?—It is quite impossible.

3576. But in order to get rid of those shares, I gather that you paid in brokerage and commissions 20,829 £.?—The bulk of it to Evans.

3577. And that is to be taken in addition to the balance of your money, 188,519 £.?—Yes.

3578. So that your share that you had from the public will be 209,300 £.?—About that.

3579. £. 209,300?—For the shares.

3580. Mr. Bristowe.] And you have still some shares, have you not?

3581. Chairman.] You have still 5,559 shares?—Yes.

3582. Of course, as you have bought and sold and still keep these, these would, if they had been sold and had obtained the same price have realised 60,000 £. more?—Yes.

3583. And for all of this you had given nothing except what you had given by virtue of obtaining this concession and transferring it to the Company?—No, this was the price of the sale of the concession to the Company.

3584. Is not that what I have said to you; you gave the concession to the Company, and they gave these shares?—Yes; these shares.

3585. That is what has taken place in consideration of those shares?—

3586. Mr. Labouchere.] But you paid nothing for the concession?—That is the consideration we got for the concession.

3587. Chairman.] What do these dates show that you have given us. Do they give the date of the purchase by you on the one hand, and the sale (the act of the sale), or do they give the date of the transfer?—The settling day; the days the account was rendered.

3588. The days what?—What they call the settling day.

3589. Then they would not give us the day when the actual transaction took place?—Not within a few days; it would be between the account.

3590. For instance, I cannot find out, from comparing these dates, whether you bought and sold on the same day?—Oh, yes, you can.

3591. Now, how could I?—No, scarcely.

3592. Not at all?—No.

3593. Mr. Labouchere.] Did you?—No.

3594. Chairman.] Never bought and sold on the same day?—No.

3595. But we cannot check you by this account?—

3596. Mr. Labouchere.] You bought for the same settlement. You had to "take in" and "deliver" for the same settlement, had you not?—The whole of the purchasers are here, you see.

3597. Chairman.] They will speak for themselves. We have these dates. The settlements are 14 days generally, are not they?—Fourteen days.

3598. The Committee also require from you the account of the telegram of May 1877?—I have got it here. I searched through my books, and I could not find it anywhere. I wrote to the Company, and I got copies of them.

3599. Please hand in the copies you obtained from the Company?—And the translation is on them. There is no doubt about it; but I even now do not fully recollect except taking the rooms. (The telegrams were handed in.)

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[Continued.]

There is my Code Book, if you want it. There is no doubt I did receive them, I think; for I find a payment made when the telegram is sent back.

3599*. "Tenth May following telegram received from Secunderabad, 8.10 p.m. to Workshop, London"; is that your name?—That is my registered address.

3600. "Secret. Government wishes, &c." (*reading cypher telegram*)?—That is the ordinary A. B. C. Code.

3601. Who had the cypher in Secunderabad?—Abdul Huk had one, and the railway company had.

3602. This is Abdul Huk: "Secret. Government wishes purchase 10,000 shares Deccans. At what price can you buy. Telegraph immediately. Will leave Thursday; have you arranged for hotel"? This is not your special cypher, I suppose?—No, it is public. It is simply for the purpose of reducing the cost of messages.

3603. What do you say became of this telegram?—I cannot imagine, except that I put it in my pocket when it was brought.

3604. You put it in your pocket?—Yes; to probably remind me to take rooms at the hotel. It went clean out of my memory.

3605. Surely this is important to you: "Government wishes purchase 10,000 shares Deccans"?—I did not think anything of it at the time.

3606. What; "at what price can you buy"?—Yes.

3607. Stop; "at what price can you buy; telegraph immediately"; what do you mean by not thinking about such a question as that?—I telegraphed evidently the price, but I have forgotten.

3608. It is not what you think now, but I am asking you to recollect; what did you at the time do upon receiving this telegram?—I really do not recollect what I did, from having forgotten the thing so entirely. It is possible I threw the telegram to a clerk, and told him to attend to it.

3609. I think you told the Committee when you were examined on the subject before that this has gone to a wrong Watson?—No; not this.

3610. A wrong name?—No, not this; that was a telegram of 1881.

3611. I may be mistaken; I am speaking from memory.

Mr. Littler.] I was under the same impression with you, Sir, but found I was wrong afterwards.

3612. *Chairman.*] It may be so; we will just look at the Evidence; but that you say is not so?—Oh, no.

3613. You did telegraph back?—Evidently.

3614. Why do you say "evidently"?—Because there is my telegram, and I could not find either one or the other.

3615. "Your telegram to hand to buy 10,000 shares without exciting market requires time and cautious dealing; price about 12 l."; did you send that?—Yes, evidently. It is not signed by me, but one of my clerks signed it and sent it.

3616. And do you find that you made a payment and entered a payment for that telegram?—There is a payment entered for that telegram; otherwise I should have said I had not sent it, for it quite escaped my memory.

3617. Why should not you sell your shares at this time?—I did not want to sell.

3618. Why not?—I had sold as many as I wanted.

3619. This date is the 10th May; you see, Sir, you say you had sold as many as you wanted; I find here, 12th May, 1,000 shares for 10,450 l.?—Yes.

3620. That is at 10 l. a share; Brook 75 on the 7th June; 8th June, 1,210; you were selling those; they had increased then in price; 10th June, Brook again; 765. Why, as you were selling them about 10 l. a share, should not you have sold your own for 12 l.?—I think it is very likely I was buying about time; if anyone offered me a turn, I bought. At that time I was selling or buying.

3621. This would be a very good "turn," 12 l. a share?—That was a telegram simply for a price, not for a purchase.

3662. Why

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[Continued.]

3622. Why should not you dispose of your shares instead of waiting and taking Abdul Huk's?—I did not want to sell them; and I had not 10,000 shares either.

3623. Not at this time?—No, I think not.

3624. Mr. *Labouchere.*] The pool?—The pool finished the January before.

3625. *Chairman.*] I think you will find you must have had them?—

3626. Mr. *Labouchere.*] Could not Mr. Sharp have sold his?—I do not know.

3627. You have, under date June 1887, obtained 50,671, and you had (I think you would be right as to this) sold up to the corresponding date others that reduced it to about 3,000 shares?—Yes.

3628. You are quite right; you would have had between 3,000 and 4,000?—Yes, I think so. In fact, at that time I was a buyer; I wanted to get back. We had had some reports about the diamonds, and I wanted to buy shares back.

3629. Mr. *Bristowe.*] I understood you to say your risk for which you got paid those shares was because you took 5,000 5 l. shares, and that was one-third of the whole affair?—£ 50,000.

3630. That was your share, was it?—That was my share.

3631. One-third of the whole concession?—No, I did not get a third of it. I paid up a third, but I only got 23 per cent., you may call it.

3632. Mr. *Slagg.*] Can you tell the Committee the highest and the lowest price respectively at which these shares have been sold to the public at any time?—No, I should think they would vary from 7 l.; no, not to the public; from about 10 to 13½.

3633. Mr. *Bristowe.*] What do you mean by about 7 l.?—I sold to some private friends at 7 l.; that is not the public; we are talking about the market.

3634. Mr. *Slagg.*] Thirteen and three-quarters was the highest price they touched?—I should think that is the highest price they touched.

3635. Mr. *Labouchere.*] Do you remember this question which I put to you; it was when you were examined before, on the 8th June, at page 113, Question 2,137. I say, "Now we will come to Abdul Huk's shares; when did Abdul Huk arrive in London to purchase the shares?—(A.) I think it was in May 1887. (Q.) Did he come to see you at once?—(A.) Not on the share business. (Q.) When did he first broach the share business to you?—(A.) I think it was on the 1st June; I was at the Alexandra Hotel; he said, 'I have good bit of news for you, a capital thing for the Company; the Nizam's Government have decided to buy 10,000 shares in the Company, and I have promised them they shall have the shares at 12.' Now you absolutely remembered those words, because you have sworn to them?—Yes, that is what he said.

3636. Yet those words could not have been correct if he had telegraphed to you?—They could have been correct; he telegraphed simply for the price he said here, they will buy.

3637. Here it is; "Government wishes purchase 10,000 Deccan shares"?—Yes, the Government only "wishes" it.

3638. You absolutely had received this telegram?—Yes, which I had forgotten.

3639. Which you had forgotten?—Yes.

3640. You answered it?—Yes.

3641. In this telegram Abdul Huk says "Government wishes purchase 10,000 shares Deccan"?—What he asks me for is the price.

3642. And on the second Abdul Huk says "Government wishes to purchase"?—Yes.

3643. He tells you Government wishes to purchase, does he not?—Yes.

3644. You know?—Yes.

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3645. I suppose

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3645. I suppose he knew you had received the telegram intended for you?
—Yes.

3646. Then how could he have said "I have got a good bit of news for you, a capital thing for the Company, the Nizam's Government have decided to buy 10,000 shares." He had told you so before?—No, not quite that; I think there is a vast difference.

3647. Am I to understand then, that your impression is that Abdul knew that you had received the telegram to say he wished to purchase for the Nizam, and that they not only wished it but intended to carry it out?—No, that telegram was not in my mind when he told me this, nor has it been since.

3648. Still you stand to the fact after these telegrams have been produced and been made the subject of these observations now in this case?—Yes, that is as far I recollect what he said to me at the time; and I believe it to be quite correct.

3649. Sir *Richard Temple*.] I think I understood you to say in your evidence the other day that about 550,000 l. worth of those shares had been sold by you or your friends to the public?—Yes.

3650. Does that figure agree with the figured statement you have just handed to the Right honourable Chairman?—Yes, about; it is not far out.

3651. In your evidence you alluded to the share list; is that the list which you handed in?—That is the list of my transfers and operations.

3652. Not the share list?—That is the Company's property, the share list.

Chairman.] Mr. Littler, the statement you made as to the telegram referring to the other broker is quite correct; that referred to the 400,000 of 1881.

Mr. Littler.] Yes, Sir; that is so. I was under the same impression with you at first.

Witness.] There are a few answers which are not correctly reported in my evidence. I should like if I might refer to them, some are of importance and some are not of importance.

3653. *Chairman*.] Please put in writing what you say are the corrections you wish to make and hand them in; we will then see whether they are corrections or alterations?—For instance, one of the questions refers to shares, where I said 12,000 in making up I find it is 20,000; that is an error on my part.

3654. In sending in that list of corrections that you wish to have made, you must distinguish between those that are clerical errors and those where you wish to make any correction of your evidence; then we will see?—Another thing I forgot to mention was this: when I was asked if any shareholder had made any complaint, I said "none." I forgot that I had a communication from a shareholder holding nine shares who wished me to buy the shares back from him; he had not bought the shares of me, he had bought them in the market.

3655. You also make that correction of your former statement?—Yes.

Mr. Mayne.] Would you ask Mr. Watson whether he has brought with him the original agreement between himself and the Nizam with regard to the railway business of the 27th December 1883. I think he said he would bring it.

Witness.] I was never asked for it.

Mr. Mayne.] Oh, yes.

3656. *Chairman*.] Have you got it?—Yes.

3657. Will you bring it and produce it, or send it?—Yes; the copy is fairly correct.

3658. Is that so?—Yes, the copy is fairly correct. It refers to the railway agreement where I was paid 100,000 l.

3659. Can the copy you have seen be taken as correct?—I should not like to say so.

3660. Then produce the original——

Mr.

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Mr. WATSON.

[Continued.]

Mr. Littler.] Will you ask him, Sir, whether a telegram has to-day arrived stating the condition of things at Singareni?

Chairman.] Well, this is *post litem motem*.

Mr. Littler.] It has come this morning, I think, Sir, since we have been sitting, I believe.

Chairman.] I do not think the Committee will attach much importance to it after this Committee has been sitting here and after what has been going on.

Mr. Littler.] It is what has been received to-day.

Chairman.] It is a question of whether the telegram presents a fact.

Mr. Littler.] Yes.

Chairman.] Who does this come from?

Mr. Littler.] From the agent of the Company at the mines. It shall be here in one moment. It simply states how many tons a day are now being raised; 60 tons a day are now being raised.

Chairman.] It was 30 tons before, was it not?

Mr. Littler.] Thirty tons a week while the galleries were going on.

Chairman.] After Mr. Cordery's evidence, the Committee will probably think there is coal there, and that you are getting 60 tons a day.

GENERAL STRACHEY, sworn; and Examined.

3661. Mr. *Solicitor General for Scotland*.] What position do you hold at the India Office?—I am a Member of the Council of India.

3662. You have held that position during the whole period of the negotiation relating to the railways and also to mines in the Deccan?—Yes.

3663. I believe you are in a position to inform the Committee as to the part taken by the India Office in the several matters which are at present under investigation?—Yes, I think so.

3664. May I take it generally that there are despatches from the India Office which record the part taken by the India Office in those matters?—Yes, certainly.

3665. Then proceeding chronologically, the first negotiation took place, I believe, in the year 1882 when Abdul Huk came over in order to negotiate for a railway concession?—That is so.

3666. The letter of the Secretary of State of 24th May 1882, states the position which the India Office had determined to take up during the dependence of those negotiations?—Yes, that is so.

3667. The negotiations, I believe, did not result in a concession?—No, they came to nothing.

3668. And accordingly have you anything else to state as to the action of the India Office with regard to those 1882 negotiations?—I think it is desirable on behalf of the Secretary of State that the Committee should hear what the precise instructions were that were given by the Secretary of State to Abdul Huk authorising him to enter upon the negotiations, and I will read the essential parts of it. Syud Abdul Huk was informed——

3669. Sir *Horace Davey*.] What is the date of this?—24th May 1882. Abdul Huk was informed that he was "at full liberty to act upon the instructions which he had received from the Government of His Highness the Nizam," and that the Secretary of State in Council would "be ready at any time during the progress of the negotiations" to give him such advice and assistance as he might desire. After referring to the rights of the shareholders of the existing Railway Company and the right of the Government of India to work the line, the letter concluded as follows: "The Secretary of State in Council will expect to be informed

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[Continued.]

informed of any engagements into which you may propose to enter before their actual completion and . . . he will recognise no liability, financial or otherwise, in relation to any company or persons with whom you may negotiate, excepting so far as a specific contract may be entered into directly between the Company, the Secretary of State and the Nizam's Government with the intention of defining such liabilities."

3670. Mr. *Solicitor-General for Scotland*.] Was that position at all departed from by the Secretary of State during those negotiations?—No, not at all.

3671. In 1883 there was a second negotiation also conducted by Abdul Huk in London?—There was.

3672. And that resulted in the formation of a railway company. Abdul Huk on his arrival in London I believe apprised the Secretary of State of his mission?—Yes; that is the case.

3673. And the Secretary of State on the 5th July 1883 wrote to Abdul Huk a Despatch, which you have before you?—I have. I may say that the letter, dated 5th July 1883, addressed to Abdul Huk was to this effect. It repeated the terms of the letter addressed to him, on the occasion of his first visit to England, and informed him that, subject to the conditions stated in that letter (which I have just read), he was at liberty to act upon the instructions he had received from his Government. He was also informed that the Secretary of State in Council would be ready to give him such advice and assistance as he might desire during the progress of the negotiations, and would expect to be informed of any engagements into which he might propose to enter before their actual completion.

3674. The Government of India had already, in a letter to the Resident, laid down the principles upon which they proposed to deal with this project?—They had; and I think it is desirable that the Committee should hear those also.

3675. This it dated, is it not, 15th March 1883?—15th March 1883. The letter was addressed to the Resident at Hyderabad and referred amongst other matters to the responsibility that the Government of India might incur in connection with either the railway or the mining schemes. The mining scheme, although nothing definite had been done in relation to it, was taken up and was brought forward by Abdul Huk in 1883, and these were the instructions of the Government of India to the Resident. They said that the principles upon which the Government of India as the paramount power, were bound to satisfy themselves in transactions of this nature were "(1) That the Native Government fully realizes its responsibility and obligations. (2). That every reasonable precaution has been taken to protect its interests. (3). That the European contractors distinctly understand that the Government of India disclaim all responsibility whatsoever in respect of the soundness of the basis on which their proposals may be founded, and of the general success of the enterprise to which they relate."

3676. Those negotiations of 1883, resulted in the agreement as to the railway which was entered into on the 27th December 1883. I think you may take that date from me?—That was so.

3677. It is the case, is it not, that on the 24th December 1883 the Secretary of State wrote regarding the agreement as then adjusted and arranged?—He did so.

3678. Now is there any passage in that letter to which you desire to call special attention?—The letter to the Government of India, addressed by the Secretary of State in Council to the Government of India, was dated 21st February 1884. The negotiation between the Nizam's agent and the Company was completed in December 1883.

3679. I think there is a letter, is there not, dated 24th December 1883, from the Secretary of State in Council addressed to the Sirdar Diler Jung?—Yes, there is. I think I have got that here.

3680. I can give it you if like; just look at that, and before reading it answer a question: May that letter be taken as representing the position taken up by the Secretary of State for India in Council on the completion of the agreement regarding the railway?—That is so.

3681. Have you anything you wish to read from that?—No, I do not think there is anything particular, except perhaps the following words—"Lord Kimberley

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[Continued.]

berley agrees with the Government of India as to the great advantage that the Nizam's Government are likely to derive from more extended railway communication; and is glad to believe you have now been able to arrive at an agreement through which the object may be gained."

3682. I think you are going to invite our attention to a subsequent letter to the Government of India, are you not?—Yes; the letter to the Government of India reporting the termination of the negotiations and the result. You will see that this refers also to the mining lease. The railway was disposed of.

3683. Would you pause before proceeding with the mining concession to explain this; the Secretary of State's approval of the railway concession was on the footing of its being apart altogether from the ulterior question of the mining concession?—Absolutely.

3684. The letter which I have referred you to to Abdul Huk deals with the railway concession on its merits?—Exclusively.

3685. Before passing to anything which introduced the mining concession, may I just ask you to say, in a word, whether the India Office were cognisant at the time, or only afterwards, of a certain payment of 83,000 £. to Abdul Huk in respect of the railway concession?—They were not cognisant at that time, certainly.

3686. At what stage did they become cognisant of the receipt by Abdul Huk of 83,000 £; it is a little out of order of time, but you will perceive it is relevant to this?—They became aware of that in the latter part of 1884.

3687. Eighteen hundred and eighty-four?—Yes.

Sir *Horace Davey*.] Yes, 10th April 1884.

3688. Mr. *Solicitor-General for Scotland*.] What have you to say about it?—In the latter part of 1884 the attention of the Secretary of State was drawn to a printed paper purporting to be issued for general information by the Nizam's Government; that is a paper I have here, which gives an account of the negotiations for the formation of the Nizam's railway.

3689. May I take it that that is important only as being the occasion of the 83,000 £. coming to the knowledge of the India Office?—Merely that; it is a memorandum drawn up by Abdul Huk, and he explains in it the nature of the transactions, and makes reference to the expenditure in the way of commission and otherwise in getting the railway transaction carried through. From this it appeared that there was a certain sum of 86,000 £. which did not appear to us at the India Office to be explainable. In the course of conversation outside of the Office information was given to me which induced the Secretary of State to write to the Railway Company to ask what they knew about it, and the Railway Company informed the Secretary of State of the facts as they are now known, that is to say, that the Sirdar Diler Jung had been authorised by the late Minister, Sir Salar Jung, to deduct from the purchase money paid by the Company to the Nizam for the then existing line, the purchase-money having been 1,666,666 £., a commission of 5 per cent., or 83,333 £. 6s., as his remuneration, and that the Sirdar was instructed by the late Sir Salar Jung to keep the matter secret between them.

3690. Sir *Horace Davey*.] What is the date of that letter you have just read?—

Mr. *Solicitor-General for Scotland*.] Order, order.

Chairman.] Please go on, and answer the Committee first.

Witness.] The facts, as disclosed by the correspondence that the Secretary of State had with the Railway Company, led to a Despatch to the Government of India sent by the Secretary of State on this subject. It is not very long, perhaps I might read it.

3691. Mr. *Solicitor-General for Scotland*.] What is the date of it?—29th October 1885. You see that some time elapsed between the transaction being first heard of at the India Office and the date of this letter, because communications had to take place with India.

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3692. Then

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[Continued.]

3692. Then the Secretary of State wrote?—If you will allow me, I will read this letter of the 29th October 1885 from the Secretary of State to the Governor General in Council: “I forward for the information of Your Excellency’s Government copies of correspondence which has passed between this Office and the Board of Directors of His Highness the Nizam’s State Railway Company, relative to a statement regarding the formation of that Company, published by the Nizam’s Government in 1884, which has been brought to the notice of the Secretary of State. From these papers it appears that the Sirdar Diler Jung, who conducted the negotiations in this country in behalf of the Nizam’s Government, received from that Government a commission of 83,333 l. 6 s. as personal remuneration for his services under authority given by the late administration of the Hyderabad State. I desire to inform your Excellency that the Secretary of State in Council had no knowledge of this arrangement until the receipt of the letter from the Board of the Nizam’s Railway Company, dated the 5th August last, and there can be little doubt that neither would the last paragraph of Lord Kimberley’s Railway Despatch, No. 19, of the 21st February 1884 have been written, nor would the sanction of the Secretary of State in Council have been given to such an arrangement had it been made known while the negotiations for the formation of the Company were in progress. In present circumstances, it is not necessary that I should comment further on this matter; but, with a view to avoiding possible misunderstandings in future, I would suggest that it would be more convenient that, before the Government of India gives its assent to arrangements that contemplate any contract requiring sanction under the provisions of 37 Geo. 3, c. 142, s. 28, a special reference may be made to the Secretary of State in Council, and his previous approval obtained. While, however, I have thought it desirable thus to notice the transaction referred to, I do not think that it is necessary to make this the subject of further discussion with the Government of His Highness the Nizam.”

3693. The matter had by that time been laid before the Governor General in Council, and his judgment taken upon it by the Resident?—Of that I have no knowledge, except what I have since heard or seen. I should wish to add to this letter that among the reasons that induced the Secretary of State in Council to write it is the fact that when Abdul Huk was negotiating the railway business at the India Office, he most distinctly affirmed that he had no personal interest in the matter whatever. I say that he has said that to myself. Of course I cannot say what he has said to other people, excepting as a matter of hearsay.

3694. Then is that the nature of the action of the India Office as regards this 83,000 l.?—That is all that the India Office did. The Government of India, I should say, replied to that, however. There is a letter of the Government of India dated 2nd March 1886, in which they say, “With regard to the statements in Mr. Batten’s letter” (that is the letter I have referred to from the Company), “we consider it desirable to inform your Lordships that the first authoritative information that the Government of India received on the subject of the Sirdar’s remuneration by the Hyderabad State was contained in a semi-official letter from Mr. Cordery, dated 3rd January 1885 (copy of which formed the third enclosure to our Despatch, No. 31, dated the 2nd February 1886), relating to a mining concession in the Hyderabad State. Rumours that some such transaction had taken place reached us in the spring of 1884; but the source of our information was untrustworthy, and was not of such a nature as to make official action possible. It may be sufficient therefore to observe that the secret compact between the late Sir Salar Jung and Sirdar Diler Jang was neither sanctioned nor countenanced by us, nor even known to exist until long after the negotiations had been concluded.”

3695. Sir Richard Temple,] That is, the Government of India?—That is the Government of India.

3696. Mr. Solicitor General for Scotland.] I propose now, if you please, to pass to the negotiation for the mining concession. Abdul Huk was over here about

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[Continued.]

about the mining concession in what year?—The mining concession began, I mean to say, the discussions about it began in 1882, but they were dropped then.

3997. The definite negotiations which resulted in the preparation of the draft concession were in 1885, I think?—In 1883; they began in 1883; I mean to say, that they were put into a more definite shape in 1883. I, perhaps, might say, that they were separated from the railway business from the different character of the negotiation. The railway concession was a concession which would be made under a specific guarantee, and the mining concession was obviously a speculative thing, and the same class of gentlemen were not disposed to take it up.

3698. You are aware that the Nizam’s Government employed London solicitors, White, Borrett, and Company, to act for them in the negotiations, and that a draft was prepared?—Yes.

3699. Did White, Borrett, and Co. act in any way for the India Office?—Not at all. I rather think they were the solicitors who drew up the contract for the railway—

3700. You are quite right?—I think I have seen Mr. White about the contract; but the way in which it happened was this: The Secretary of State, in order to be sure that everything was going on so far as he was concerned in a perfectly straightforward manner, advised Abdul Huk that in all the steps he took he should take the advice of a respectable solicitor’s firm in London, which should advise him whether he was acting at all in any way beyond the instructions he had received from his own Government, and it was also suggested to him that as regards the mining concession which was contemplated, that it would be well if he took the advice of solicitors who were cognisant of that sort of business, and I apprehend that in consequence of that he referred to Messrs. White & Borrett.

3701. During the preparation of the draft concession in London did Abdul Huk invite the assistance of the India Office, or did they interfere at all?—I have no very accurate recollection; so far as the papers I have looked at go I can find no trace of anything definite, but I have an impression that we had informal conversations about it, and that we were so thoroughly dissatisfied with the scheme that he had brought from India, that we told him we would have nothing to do with it in that form; and in consequence of that after the railway contract was concluded, he wrote to the Secretary of State to say that he had dropped it.

3702. Then it took a new shape eventually?—May I add as regards that, there is a letter which I think it is important the Committee should have brought before them. I am not quite certain whether some of it has not been printed, but it will not occupy a minute if I read it. In the last paragraph of the letter of the 21st February 1884 which related to the railway contract to which reference has been made before, the Secretary of State refers to the mining proposal: “With reference to the proposed mining lease the negotiation of which was one of the objects entrusted to Sirdar Diler Jung, your Excellency will observe from the concluding part of his letter of 25th January, that it has been considered advisable not to proceed further with this matter at present, and that its consideration will be postponed until he returns to Hyderabad. I have not had occasion to consider in detail the proposed terms of this lease, but as in the draft contract, which was considered in India, it was contemplated to grant to the lessees exclusive rights in all minerals in every part of the Nizam’s territory, I cannot avoid expressing a doubt whether such a concession is essential to ensure the working of the coal, which apparently, is the only mineral at present likely to be raised, and I trust that proper caution will be exercised in avoiding the grant of exclusive rights over extensive areas, which may be found extremely onerous in the future. It will also be a matter for the careful consideration of your Excellency’s Government whether the lease, if entered into with a British subject, involves liabilities such as would bring it within the operation of the Act of 37 George III., c. 142, s. 28, to which reference was made in the earlier part of this Despatch.”

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3703. During the preparation of the draft concession, did the India Office find it necessary, or were they invited to take any overt action?—None; we knew nothing whatever of the draft; the India Office had no cognisance of it whatever until the lease had been executed.

3704. I want to bring you to that stage; until the concession had been executed?—

3705. *Chairman.*] You said "lease"?—I beg your pardon; I ought to call it "concession."

3706. *Mr. Solicitor General for Scotland.*] On the execution of the concession the India Office was informed of that concession having been granted, and I believe Lord Kimberley invited the attention of some of the gentleman in the Office to its terms?—The concession was signed on the 6th or 7th January 1886, and it was sent home to the Secretary of State with a letter from the Government of India of the 2nd February of that same year, 1886, and on the receipt of those papers it was considered in the usual way by the Council. It was referred to a Committee of the Council, and it was discussed by them.

3707. I think there were certain points upon which the advisers of the Secretary of State thought alterations should be made?—There were. There were certain questions asked about it, and a discussion took place with the promoters (the concessionnaires) and they ultimately came to an agreement with the Secretary of State that they would do what he finally thought was necessary in relation to the concession.

3708. I notice that there is a letter by the Parliamentary Under Secretary to Mr. Watson on the 5th of May 1886. It is on page 34 of Mr. McLagan's paper?—All those letters have been laid before Parliament.

3709. That regards the intervention of the Secretary of State?—Quite so.

3710. And ultimately, on the 27th July 1886, there is a letter from the India Office, in which the writer says, "In reply, I am directed to inform you" (now this is to Watson) "that the Secretary of State will be prepared to approve of the carrying out of the agreement which has been entered into by yourself and Mr. John Stewart with the Nizam's Government, on the express condition that, in the event of active mining operations not being commenced at any mines or on any lands taken up in accordance with the terms of the concession within the time specified in your letter as above quoted, all such mines and lands will be surrendered to the Nizam's Government, by you or the Company, or persons to whom the concession may be transferred, and that all rights under the contract in respect to such mines and lands shall then wholly cease"?—Yes.

3711. Upon that the Company was formed, and I believe the formation of the Company was intimated to the India Office?—That was so.

3712. Would you tell the Committee whether the question as to what was to come of the shares which were not at first subscribed for was considered at the India Office or not?—All I can say with regard to that is that we at the India Office had to consider the document which was signed between the Nizam's Government, and I think it is Mr. Winter on behalf of the concessionnaires. What we had to do was to look at this document, and on the face of this document the conclusions we came to were that certain additional precautions were desirable, and the Secretary of State addressed Mr. Watson. As regards the particular point which I understand you to refer to, the question of the million of capital, all I can tell you about it is that it was not discussed.

3713. Do you consider that it fell within the province of the advisers of the Secretary of State?—All I can say is that the Secretary of State for India in Council is a very complex body. It possesses 16 minds, and I cannot say what the concrete idea of the Secretary of State for India was on a subject on which no expression of opinion has been recorded. All I can tell you is what my own personal opinion is, if that is of any value to you.

3714. Yes; what is that?—My personal opinion as regards that particular clause is that it has no important influence on the contract generally speaking.

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The words that are used in it are that there shall be a capital of not less than 1,000,000 £ sterling, but that there shall be powers to increase the capital "by an issue of debentures or otherwise if necessary"; that is to say, the 150,000 £ being the *bona fide* share capital that was to be subscribed and really paid up, beyond that there was an imaginary sum which made up a million, or it might be less, or it might be more, and under that it appeared, or rather, I should say, appears to be, because what it did appear to me to be I am not prepared to remember, but it appears to me so far as the contract itself goes, that it is unimportant.

3715. *Mr. Labouchere.*] What is unimportant?—The fact that that million is mentioned.

3716. *Mr. Solicitor General for Scotland.*] That is the view that occurs to you now upon the consideration of the question?—Yes.

3717. Did the India Office, or those concerned in the action of the India Office, at all know of the arrangements by which 85,000 shares were given to the concessionnaires?—No; we had no knowledge at all of it, that is, I should say, until the first accounts of the Company were sent in to the Secretary of State, which was in July 1887.

3718. Then I want to ask you about the purchase of the shares by the Nizam's Government; when did the India Office become cognisant of the intention of the Nizam's Government to purchase shares in the Company?—The first thing we heard of it was a telegram from the Viceroy to the Secretary of State, dated the 16th May, which was to this effect: Hyderabad Mining operation promises well. Nizam's Government wishes to take shares in the Company. The Resident thinks this desirable, and recommends our raising no objection, while accepting no responsibility; we have agreed."

3719. What did the India Office do upon that?—I should first wish to say that with reference to that there is a statement made in what is called the Yellow Book. It is paragraph 103 at page 31 of the reprint. Perhaps it might be as well if that were read. There is first a statement regarding the inducement to purchase these shares. Then there is a reference to two telegrams which were sent from the Resident to Abdul Huk, dated the 10th May and 11th May, and then it goes on thus in paragraph 103: "The reason for the silence of the Government of India was that the matter had been referred to the Secretary of State. It was considered in Committee, and laid before the Council, and passed; the proposal having been considered by the whole Council, including the Secretary of State, who has the best means of judging of its value as sound and desirable, both from a political and financial point of view." Now, I wish to explain to the Committee what are the facts. As I said before, the telegram of the Viceroy, dated the 16th May, having been received at the India Office, was seen by the Public Works Committee, which is the organ of the Secretary of State which takes cognisance of these things, on the 25th May; after which it was placed before the Council "for perusal." I ought to explain the matter a little more fully. The telegram, which I have read, informs the Secretary of State that the Government of India had agreed to the purchase. This comes before the Public Works Committee, which is the body that has to consider these things, with a remark that, as the Government of India have asked for no reply, it calls for no orders. No special notice accordingly was taken of it, and it was simply placed on the table of the India Office, according to custom, for members of the Council to read if they cared to do so. There are certain large boxes placed in one of the rooms in the India Office containing various papers that come from India for what is called "perusal." This paper was in that manner placed on the Council table for the information of the Council, but it never came before the Council at all for discussion or consideration in the ordinary way. The Council, as such, never expressed any opinion upon it; the Secretary of State never expressed any opinion upon it; the Committee never expressed any opinion upon it.

3720. Was that in the ordinary course of office management?—That is the ordinary way with business that requires no orders from the Secretary of State. Those papers which are considered to be of interest, but to require no orders, are put in a box for members of the Council to read.

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3721. But on the face of it, did it not call for action on the part of the India Office?—It did not.

3722. Mr. Slagg.] I think the Government of India assumes a right to deal with the interests of, or to control, the Native States in every possible particular, does it not, or in a very large degree?—Well, to some extent, certainly.

3723. The Nizam's Government is virtually, in fact, under British influence?—To some extent.

3724. The Nizam has a British adviser, has he not, in Colonel Marshall?—Colonel Marshall is not in any way that I know of connected with the Government of India. He is a servant of the Nizam's Government.

3725. Is he not appointed to that post by the Indian Government?—Not that I am aware of; but I have no specific knowledge upon these subjects, and I do not think you will get much good from asking me questions upon the subject. It is not a part of the business I am conversant with.

3726. I suppose your knowledge extends to this, that all important matters relating to the Native State are under the control of the India Office?—They are under the inspection, as you may say, of the India Office, so far as they are reported from India by the Government of India. Certainly there is no interference in detail.

3727. But are they not under the virtual direction of the India Office?—Certainly not in detail.

3728. Because it appears from the history of this concession that it has been modified by the Indian Government in several very important particulars. It appears also the Nizam's Government has been under certain implied obligations to accept those modifications; therefore I should assume that there is direction?—The action of the Government of India on the Nizam's Government is merely a friendly action, a friendly action in the way of representation so far as its influence on the Nizam's Government itself is concerned.

3729. Then do you consider that there is no responsibility on the part of the Indian Government in relation to these matters; has not the Indian Government taken responsibility upon itself by assuming to direct the details of this concession?—I am not aware that it has directed the details; it has advised.

3730. We read that certain modifications have been made officially by the Indian Government?—On the suggestion of the Indian Government. The relations of the Government of India and the Nizam's Government are regulated by treaty. So far as treaty obligations enable the Government in India, or authorise them to interfere they would interfere, but certainly in the matter of making a contract of a nature of this sort, there is nothing in the treaties between the two states that justifies interference, at least not so far as I am informed.

3731. The concession, I think you said, was to some extent discussed in Council?—Yes, it was. It was authorised by the Secretary of State for India in Council.

3732. And during those discussions did no suspicion arise as to the construction that was put upon the concession by the concessionnaires as to the 850,000 l. worth of capital?—No, no suspicion.

3733. You never suspected that such a construction could be applied to documents?—As I think I have said before, no reference has been made to the possibility of any special interpretation of that part of the agreement, and that is all really that can be said about it.

3734. The concession was considered satisfactory?—Yes, it was considered satisfactory; and the Secretary of State authorized its being carried out with certain modifications.

3735. What view is taken of it now?—I am not in a position to answer for the Secretary of State for India in Council.

3736. You do not know what the present view of the Council is?—Well, the Council has formed no view.

3737. Is it not for the Council to form some view upon an important matter like this?—It is not for me to say that.

3738. You have said that the clause as to the disposal of this 1,000,000 l. of capital had no important bearing on the matter; surely it has a very important bearing

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bearing upon the position of the shareholders?—As I said before, if you ask me a question of that sort, you ask me my personal opinion for what it is worth.

3739. Yes; I am asking you your personal opinion as to the actual manner in which the Company or the concessionnaires dealt with their concession after they got it, and the terms on which they arranged matters with the Company that was formed to carry out the concession. Of course it is obvious that the nature of that arrangement might at all events have an important effect upon a Company. I do not know that I can say anything more than that upon the subject, at least I do not see what more is to be said.

3740. Possibly to this extent: If they had been suspicious the concession would not have been granted in that form?—As I said before it was not suspected.

3741. If it had been, probably there would have been a different view taken of its merits in your opinion?—That is possible.

3742. Can you tell me about Mr. Hughes' position; what is Mr. Hughes' position in the Geological Department of the Government?—I think they call him a Superintendent of Survey. He is a man of some experience in India, and had been employed, and had visited and made geological reports on the part of the Deccan in which the transactions of this Company will be carried out.

3743. And his services, I believe, are lent to the Company by the Indian Government?—Yes, they were lent.

3744. Is it usual for the services of important officers to be lent to private companies in that way?—In many cases, yes; where the Government of India think that the services of an officer can be spared and that he can be usefully employed in a Native State they also frequently do it, and at the present time a large number of their engineers, for instance, are employed on railways under companies; and many of the officers of the Government are also employed in various Native States, performing various functions.

3745. Do you consider that Mr. Hughes is accredited to the Nizam's Government or to the Company?—He is employed under the Company as mining engineer; nothing to do with the Nizam's State; it is the Company.

3746. And paid by them?—And paid by them.

3747. Sir Richard Temple.] I think I can put a question which will explain the relations to the Committee. Is it not the fact, that as regards internal administration, the power of the Government to interfere with the Nizam is but limited?—Quite so.

3748. But is it not that the means of indirect political influence are considerable?—Certainly.

3749. And is not that influence exercised through the channel of the British resident at Hyderabad?—Certainly.

3750. By the Government of India?—Yes.

3751. Is not the Government of India, in exercising that influence, subject to the general control of the Secretary of State for India in Council?—It is.

3752. That is the political position?—Certainly.

3753. The relative position of the several parties?—The Secretary of State for India in Council is supreme.

3754. Is not your own sphere in the India Office chiefly relating to public works?—Well, largely.

3755. Largely public works; and that is the reason why these affairs came within your knowledge?—So far as the Secretary of State for India in Council has formed opinions, and so far as he expressed them, the whole Council participate in those orders just as much as I do.

3756. Does not this correspondence come, in the first instance, before a Committee of the Council of India, the Public Works Committee; is it not so?—It may be the Public Works Committee, or some other Committee. In many cases these matters were referred to special committees.

3757. But of the Public Works Committee you are a member, I presume?—I am. I do not wish, in the smallest degree, to evade any responsibility that attaches to me personally. I have been personally concerned in the whole of this

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transaction, and if you please, I am one of the principal advisers of the Secretary of State in all those matters.

3758. Mr. Labouchere.] Were you connected in any way with this railroad?—Which railroad?

3759. The Nizam's railroad?—In what way; perhaps you will explain.

3760. I thought you were on the Board, were you not?—No, I have never had anything do to with any Indian railway at all since I became a member of the Council of India.

3761. I beg your pardon, it was Sir John Strachey; I was thinking you were Sir John Strachey?—No.

3762. You say that ultimately this concession was sent home to the India Office as drawn up?—Yes.

3763. Did anybody look at it?—Yes, I did, personally.

3764. Was assent given to it?—Assent was given to it.

3765. Did you look into the terms?—I did.

3766. And I understand that the India Office would not for a moment have assented to any concession which they understood would enable the concessionnaires to take 850,000 l. to themselves out of a capital of 1,000,000 l.; how did you understand that?—I did not know it.

3767. All right. Then do I understand that you consider that this was the intention of the Indian Government; that is to say, of the 16 gentlemen who sit round this table at the India Office?—Certainly not.

3768. Then what was it?—There was no intention.

3769. They had no intention?—Not in that respect.

3770. Did they form any conclusion from reading the concession as to what was to be done?—No, not as regards that point.

3771. They did not think it worth while?—They did not think it was their business.

3772. Whose business was it?—Nobody's, so far as I know.

3773. Do you mean at the India Office; nobody's?—The India Office; the Secretary of State is not a dry nurse to the Nizam.

3774. That is all very well about being dry nurse to the Nizam; we will go into that. Is the Viceroy a dry nurse to the Nizam?—Certainly not.

3775. You say that the Viceroy or Mr. Durand from Calcutta wrote a series of Despatches stating what was to be done with regard to this concession before it was settled?—I am not aware that Mr. Durand did write such Despatches.

3776. You are not?—No.

3777. Then I will read them to you. I take the Despatch of Mr. Durand in the Parliamentary Papers, page 20, in which he incloses two memoranda. I first point out this: Mr. Durand, writing to the Resident at Hyderabad, says: "He submits a Draft Agreement between His Highness the Nizam and Messrs. Watson and Stewart as to mining rights." And then he says: "I am first to observe that the arrangements described in this agreement should have been made through you, instead of being settled directly by the Nawab Salar Jung, with the representative of the English Company." I gather that that means that the representative of an English Company ought not to come into direct contact with the Ministers of the Nizam, but that everything ought to pass through the Resident?—That was the Government of India's instruction to their Resident.

3778. Do you call that dry nursing?—That is not an instruction to the Nizam; that is an instruction to their own officer.

3779. It is an instruction to their own officer; but is their own officer to keep it to himself? is he not to communicate that to the Nizam's Government?—I should think not.

3780. Not necessarily?—Not necessarily.

3781. Is he to communicate it to the English representative of a Company who goes there?—Well, so far as British subjects are concerned, they are to a certain extent subject to the authority of the Governor General in Council.

3782. What! in the Nizam's territories?—As I tell you, you are asking me questions of which I am not cognisant.

3783. Was Mr. Cordery instructed to act on that instruction?—Obviously it

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it was represented to Mr. Cordery by the Government of India that he should have entered into the detailed consideration of the agreement with Mr. Winter before it went to the Nizam.

3784. Then he was intended to act upon it?—Merely in the way of suggestion.

3785. Let us suppose that Mr. Cordery refused to accept the suggestion, what would have happened to Mr. Cordery?—Of course Mr. Cordery was bound—

3786. To obey?—To act on behalf of the Government of India.

3787. Then he was the representative of the Government of India?—Certainly.

3788. Then the representative of the Government of India was told by the Viceroy that he was to step in between the English representative of an English Company and the Government of the Nizam with regard to a negotiation, and that he was to be an intermediary?—Yes.

3789. Do not you call that dry nursing?—Not necessarily; no.

3790. Well, "wet nursing" we will call it?—No, nor wet nursing at all.

3791. Take paragraph 5: "Under these circumstances the Governor General in Council is disposed to think that the draft agreement may with advantage be modified in certain particulars; I am accordingly directed to forward two memoranda (marked A. and B.), one of which describes the alterations suggested, while the other explains the grounds upon which they are recommended; I am to request that you will recommend to the Minister and to the agent of the Company that the agreement may be concluded on these terms, which are, in the opinion of the Government of India, much more satisfactory than the provisions of the draft agreement as received"; do not you call that any "wet" or "dry nursing"?—I say that is an expression of the opinion of the Government of India as to what is the best form to give to the grant. They are perfectly justified in saying that.

3792. I am not saying whether they are justified or not. Do you mean to say that that is not responsibility, and that they do not take the responsibility of any contract that is signed under those orders to their representative?—Of course there is a certain amount of responsibility taken.

3793. Is there a full responsibility?—Certainly not.

3794. "Certainly not;" when they in these instruction to their agent, after their agent informs them that he fulfils them and finally gives an assent to the concession, there is no full responsibility?—There is not full responsibility for what is done in consequence of the concession.

3794.* Not what is done in consequence of a concession; but in regard to the terms of the concession?—That is the whole question at issue, as far as I understand.

3795. I am not asking whether they fulfilled the terms; but does the Government of Calcutta accept the responsibility of the terms under which the concession is given?—They advise the Nizam's Government not to enter into an engagement which they considered unreasonable.

3796. Not when they give their assent to it?—They considered that it was a reasonable agreement.

3797. Then they do accept the responsibility?—For its being reasonable.

3798. Well, being a legitimate and fair concession?—Quite so.

3799. After they have instructed their Resident, their representative, to undertake the negotiations connected with it?—Certainly.

3800. Then does the Government in England not do it; does the Secretary of State not do it?—I have said that he has done it.

3801. Then this was sent home to the Secretary of State?—Yes.

3802. I presume when it was sent home the correspondence was sent home with it between Mr. Durand and the Resident?—A great deal of this correspondence came; yes.

3803. Was it submitted to you?—I have no doubt it was.

3804. You saw in this correspondence the frequent allusions that there are to the first issue and to the rest of the money being employed for working capital

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capital if required, the rest of the million?—I do not accept that interpretation of the discussions at all.

3805. Then I must go into the interpretation, if that is not accepted; what is the interpretation of those words "the first issue of shares may be 150,000 *l.* with 75,000 *l.* paid-up," at page 25, Enclosure 5 in No. 4, paragraph 3; does that mean that there are to be subsequent issues?—Yes, that there will be subsequent issues I suppose.

3806. Would it be a violating of the principle if the first issue were 150,000 *l.*, and at the same time all further issues were rendered impossible by the rest of the money being given to the concessionnaires?—All I can say is that the contract as it stands does not prevent further issues.

3807. Perfectly. It does not prevent it; but does it oblige it?—No. There is no obligation to raise anything more than 150,000 *l.*

3808. Is there anything in the contract that would prevent giving 850,000 *l.* to the concessionnaires for the concession?—No, there is not.

3809. Now read this, because you sit at the India Office. I want to know what you gentlemen do at the India Office. I take Memorandum B., which you say you had before you; had you it alone before you, or the Council, or what. How many are on the Works Committee?—The Public Works Committee? I do not see that this Committee has anything to do with the Public Works Committee.

3810. That is not for you, Sir, to ask. How many are there on the Public Works Committee?—It did not come before the Public Works Committee.

3811. Who did it come before: you alone?—No, before the Special Committee.

3812. Who are the Special Committee?—Sir Ashley Eden was one, and, I think, Sir Donald Stewart, besides myself.

3813. It went before a Committee of three. Now you say you had this correspondence sent home to you, would you be kind enough to look at Memorandum B., on page 22. The memorandum is on page 21, and it goes over on page 22, Clause 2, "The first issue of shares has been reduced from 250,000 *l.* to 100,000 *l.*, and the paid-up capital from 100,000 *l.* to 25,000 *l.* This has been done to meet the immediate requirements of the opening of the Singareni coal-fields, which, judging from the circumstances of existing coal companies in Bengal, can be efficiently worked with a subscribed capital of the amount proposed in the altered clause; the nominal capital is left as originally drafted in the Clause 1," "the nominal capital," that is the 1,000,000 *l.*?—Quite so.

3814. "As it is contemplated that further issues of shares will be made in the event of iron or steel works being started at Singareni or the mineral wealth of the province being developed at other sites"?—Yes.

3815. What do you consider that means?—Well, the probability is that the person who wrote that did contemplate that additional capital should be subscribed.

3816. Out of the million?—That is to say within the million.

3817. Then this was submitted to you with the concession?—Yes.

3818. And did not you and these two gentlemen think it desirable to consider whether the concession did really carry out the intentions of the Indian Government?—I am not prepared to say that it did not.

3819. Very well; did the concession carry out this, or not?—It was compatible with carrying it out, certainly.

3820. Did it render it necessary; the nominal capital remember is left originally as drafted, as it is contemplated; that is the only reason why the million was left?—But it appears to me that the condition that you put is an impossible one to fulfil.

3821. Why?—Because all that the agreement required the concessionnaires to do was to raise 150,000 *l.*; it required them to do nothing more.

3822. And if more capital was required in order to work other mines, they were to obtain it in this fashion?—They might obtain it in that fashion.

3823. I beg your pardon, they were to. It "is left as originally drafted in the Clause 1, as it is contemplated"?—Contemplated by whom?

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3824. By the writers of this; by Mr. Durand and the Calcutta Government?—But he was not making the agreement.

3825. I beg your pardon, they wished to make the Government?—The Nizam's Government —

3826. And Mr. Cordery?—No.

3827. I beg your pardon?—You may say Mr. Cordery, if you please; the Nizam's Government, I should say, and Mr. Winter.

3828. The Calcutta Government sending up every day, saying they desired this and that to be put in the contract, and yet that they are not making themselves responsible. You accept the responsibility of the Calcutta Government?—I accept the responsibility for what the Secretary of State did.

3829. The Calcutta Government sends it home to England?—Yes.

3830. The English Government look after the contract themselves and give their consent to it or not?—Yes, we do.

3831. Surely, then, they look into it?—We did look into it.

3832. Did you see that the contract carried out the intention of the Calcutta Government?—So far as I understand it, yes.

3833. Then what was the intention; was it the intention that the nominal capital should be "left as originally drafted, as it is contemplated that further issues of shares will be made"?—There is nothing to prevent the further issue of shares now.

3834. Why; the capital is a million?—No, there is nothing to prevent a further issue of shares.

3835. I beg your pardon; the capital is 1,000,000 *l.*; how are they to issue them?—Look here; that is what I began by saying when I was first asked questions about this. This is Clause 1 of the indenture. They are to form "a company limited by shares, with a capital of not less than 1,000,000 *l.* with powers to increase the capital by issue of debentures or otherwise if necessary." There is nothing to prevent the issue.

3836. I beg your pardon; then you consider it perfectly legitimate and proper that they were to?—To do what?

3837. To issue this 850,000 *l.* to themselves?—Who said so; did I say so?

3838. You implied it?—I deny that I implied it at all, or that I gave any opinion about it.

3839. Very well; will you be good enough to give your opinion?—All I can say is that if this concession had been made to me I should not have done it.

3140. Do you consider that they might do it by the terms of the concession?—They have done it.

3841. Do you consider they might do it; that they have got a right to do it as a matter of fact?—That is for gentlemen learned in the law to say. All I have to say is that they have done it.

3842. Do you consider that that is the intention of the Calcutta Government?—Certainly not; and I never said so.

3843. Was it the intention of the Government of India?—Certainly not.

3844. Would it not have been wise on the part of this Committee to have looked into this concession and seen that it was rendered impossible?—They did look into it, and if you would advise me how I should have done it you would be very clever, I think, because I cannot do it.

3845. Then you looked into it?—I gave you that answer just now. When I looked into it I had no conception that the concessionnaires would take anything more for the concession than what reasonable people would call fair, and I say that that is on the face of it, because this document contemplates the transfer of the concession to a company. Now the concession would not have been transferred for nothing; obviously, there would be some consideration. What consideration would be reasonable, is for every man to settle for himself. I cannot settle it.

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As I said before, if you ask me whether I would have taken 850,000 £, I should say no.

3846. Then you at the India Office, as the guardians of this Nizam and his people, consider it perfectly legitimate to encourage the grant to Mr. A. and Mr. B., who have done nothing for the State, who are mere financiers, of such a concession as that, and for which they are to be paid a large sum over the counter of the Company?—I say that that was the intention of it.

3847. Was it the intention?—Obviously the intention of everybody.

3848. Was it; can you show me anywhere where it is stated that that is the intention?—I say, as far as I understand contracts of this sort, the sole way of finding out the intention is to see what is in the contract.

3849. Does it state any amount that is to be paid?—No; but that something reasonable may be paid. I may be wrong, but that is my impression.

3850. You remember the question of the railroad; that you went into?—I did.

3851. Mr. Watson there, as you know, probably, received 100,000 £. for promotion?—That is for commission.

3852. For commission; that was on the supposition, which was a fact, I presume, that Mr. Watson was a gentleman who underwrote and got the capital for companies?—Yes.

3853. Might not the Nizam's Government, the Indian Government, and the Calcutta Government, all have come to the conclusion that Mr. Watson was going to do the same thing now, and receive a certain percentage for getting the money for this?—It is possible, perfectly.

3854. And that he would have done it as a speculation?—Perfectly.

3855. There is not one word that limits the amount that he is to receive for the concession, is there?—That is so.

3856. Do not you think, if you thought the concession was to be sold, that it would have been desirable to limit it?—As we know now, perhaps it would.

3857. Then the committee were remiss?—Not remiss; they were not all-wise.

3858. No, I do not know that anybody ever charged them with that?—I personally, if I may make the remark, should say that if this honourable Committee of the House of Commons had had this paper put before them when it was first made, it does not at all follow that they would have done otherwise than we did.

3859. We cannot go into that hypothesis. It seems to me it would be difficult to find six sane human beings out of the India Office who would not have taken precautions, knowing what promoters are, to prevent this?—It is very easy to be wise after the events have happened.

3860. It is very easy to be wise after the events, certainly; but we want gentlemen who are our officials to be wise before the event?—You do, I know; but you do not get them.

3861. We do not; now about this 83,000 £.?—

Chairman.] I understand the examination of General Strachey will still be a little prolonged, and as some of the Members of the Committee have to attend elsewhere, we will adjourn now, and conclude this, if possible, on Tuesday morning. Mr. Watson must attend on Tuesday morning again, as there are two or three questions we may have to ask him.

Sir Horace Davey.] I was going to ask, Sir, if you would ask the representative of the Nizam to send a telegram to India. We are very anxious to get this letter (which we believe to be perfectly genuine) before the Committee; would you therefore ask them to telegraph?

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Chairman.] They say they have no knowledge.

Sir Horace Davey.] Yes, Sir; but they can telegraph, which I cannot do, to the Nizam's Government of Hyderabad, and ask whether this is a genuine letter.

Chairman.] They cannot communicate by telegram. We want to see the document to see how the handwriting is represented in the document. I have looked at it.

Sir Horace Davey.] We cannot get the document over in time to place it before the Committee.

Tuesday, 19th June 1888.

MEMBERS PRESENT:

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.
Mr. McLagan.

Mr. Slagg.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

SIR HENRY JAMES, IN THE CHAIR.

GENERAL STRACHEY, re-called; and further Examined.

3862. Mr. Labouchere.] I THINK you said that Abdul Huk came over with full powers to sign a concession, which had been drawn up for, or drawn up by, Mr. Watson in 1882. I think that is in your evidence?—I do not exactly follow you.

3863. I am speaking of the first time he came over before the draft concession was drawn?—What are you talking of; the railway or the mining concession?

3864. The mining concession, 1882?—You mean the earliest; when he first came over?

3865. Yes, when he first came over?—As I understand, he came over with instructions from his Government to enter into an arrangement about the mines; not specifically with any particular person, that I know of; I do not think I said that; at all events, I had no knowledge of that.

3866. The Indian Government disapproved of the concession, then, which was put in by Watson; Watson had put in a concession then?—Well, there were the heads of an agreement; I say as far as my recollection goes, because it is not very distinct, the heads of an agreement were put in, which we thought were unsatisfactory; and, in reality, at the India Office, so far as my recollection goes, they were not treated seriously. They were not discussed.

3867. Then, you are also aware that Abdul Huk went to White, Borrett and Co. to draw up a concession?—White, Borrett and Co.

3868. Was that by the desire of the Indian Government?—No; I explained that it was not. I may mention what the circumstances were. In order that the Secretary of State might be thoroughly satisfied that Abdul Huk was acting in accordance with the instructions he had received from his own Government, we advised him to go to a solicitor, who should look at his instructions, and see whether he was doing anything beyond what he had been authorised to do. At the same time, I think it was also suggested that, as this mining business was peculiar and of a technical description, he had also better go to some solicitor who was conversant with that sort of business, to be advised by him; but, so far as my recollection goes, I do not think there was anything in writing, and that that was merely said across the table.

3869. There was a discussion took place between Mr. Watson and the representatives of the Secretary of State for India?—Not at that time.

3870. This would be in 1886?—In 1886, yes.

3871. That is while this draft concession was being looked into; White and Borrett's concession?—It had ceased to be a draft. The agreement was made early in January in 1886, and it was sent home by the Government of India to the Secretary of State for his approval or confirmation or criticism.

3872. Then, as I understand it, Abdul Huk was told by the India Office that he

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he was not to sign under the powers of the Nizam; but that the negotiations were to be continued in Hyderabad?—That was in 1883.

3873. Yes, that was in 1883?—Yes.

3874. So that the India Office accepted the responsibility of desiring Abdul Huk not to act upon the instruction of the Nizam's Government, but to take his concession back for further discussion in Hyderabad?—As far as I understand, we accepted no responsibility at all. Abdul Huk withdrew in consequence of, at least I believe so, at all events partly in consequence of, the conversations held at the India Office. Abdul Huk, as far as my recollection goes, in January 1884, wrote to the Secretary of State to say that he withdrew all proposals regarding the mining concession.

3875. But here I have a paragraph dated 21st February 1884. Number 19, in the Government Return, page 3 in the Return of Correspondence, "Number 19, Railway" it is called here. This is a Despatch from the Secretary of State to the Government of India, in which he says, "With reference to the proposed mining lease, the negotiation of which was one of the objects entrusted to Sirdar Diler Jung, your Excellency will observe, from the concluding part of his letter of 25th January, that it has been considered advisable not to proceed further with this matter at present, and that its consideration will be postponed until he returns to Hyderabad"?—That is Abdul Huk's statement to Secretary of State.

3876. No; I beg your pardon, it is the Secretary of State's statement.—He repeats to the Government of India Abdul Huk's statement to him; there is no doubt of that.

3877. But he does not qualify that in any way; he accepts that statement?—I do not understand.

3878. The Secretary of State accepts that statement as fact; he does not qualify it in any way?—I do not understand. I do not see what there was to accept.

3879. I will explain to you the point. The point is this, whether it had been considered advisable by the Secretary of State not to proceed further with this matter at present, and that its consideration will be postponed until he returns to Hyderabad?—I must again repeat that the Secretary of State was not taking the initiative in any of those measures at all. He was in the place of a friendly adviser of the agent of the Nizam's Government; and the agent of the Nizam's Government having been authorised to enter into the mining concession before he returned to Hyderabad, said I will drop it, and the Secretary of State merely informed the Indian Government that that was the case, and there was nothing more. The Secretary of State had nothing to do with it.

3880. Then, might Abdul have signed it without any protest from the Secretary of State?—The concession never came before the Secretary of State at all. The draft never came before the Secretary of State; no papers at all came before the Secretary of State.

3881. Did not White and Borretts' concession come before the Secretary of State?—Certainly not.

3882. The draft never came before the Secretary of State?—Certainly not.

3883. Now, will you be good enough to listen to this. This is the same Despatch of the Secretary of State: "I have not had occasion to consider in detail the proposed terms of this lease, but as in the draft contract which was considered in India, it was contemplated to grant to the lessees exclusive rights in all minerals in every part of the Nizam's territory, I cannot avoid expressing a doubt whether such a concession is essential to ensure," &c., &c., "and I trust that proper caution will be exercised in avoiding the grant of exclusive exclusive rights over extensive areas, which may be found extremely onerous in the future. It will also be a matter for the careful consideration of your Excellency's Government whether the lease, if entered into with a British subject, involves liabilities such as would bring it within the operation of the Act of 37 Geo. 3, c. 142, s. 28"?—That is quite correct, and it quite correctly states the facts. The draft that is referred to there was the original draft that Abdul Huk had brought from India; not White and Borrett's draft at all. As I say, White and Borrett's draft never came up.

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3884. Never

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[Continued.]

3884. Never came before you at all?—No.

3885. Was not Lord Dufferin told to send home the final concession as agreed to to the Home Government?—I have no recollection of anything of the sort; but if you can point out anything that indicateth it, I do not see that it bears upon the question really, or upon my discussion in which I am concerned. I have no recollection of any such instructions.

3886. I will read to you?—If you please.

3887. This is the Parliamentary correspondence referring to the concession, page 4, "Extract letter from Government of India to Secretary of State, dated 3rd February 1886"?—Yes, that is the letter sending home the concession as it was actually executed by the Nizam's Government.

3888. Yes; will you look at the last paragraph if you please, at the last portion of the paragraph?—Yes.

3889. "But as your Lordship has suggested that the previous approval of the Secretary of State is desirable to contracts of the nature of this agreement, we would solicit that we may be favoured with this sanction by telegram." So that did they not order the contract to be sent home for approval? As it "is desirable to contracts of the nature of this agreement, we would solicit that we may be favoured with this sanction by telegram"?—There is a little misconception as to that. You will see in the margin that this refers to the letter of the 29th October 1885.

3890. Yes?—Now that letter is not here.

3891. I know it is not?—That letter was the letter written when Lord Randolph Churchill was Secretary of State to the Government of India regarding the payment to Abdul Huk of the 83,000 £, that payment was considered a highly objectionable arrangement, and the Secretary of State wrote to the Government of India to that effect. (I read the letter the last time I was here).—

3892. Yes, I remember it?—And as that payment was considered a highly objectionable arrangement, and as the Secretary of State thought that the possibility of such arrangements should as far as possible be guarded against, he wrote what is said there.

3893. Then he wrote not as regards this particular concession, but generally speaking?—It was a general instruction.

3894. Then Lord Dufferin entirely misunderstood him?—Why?

3895. Lord Dufferin says, "As your Lordship has suggested that the previous approval of the Secretary of State is desirable to contracts of the nature of this agreement, we would solicit that we may be favoured with this sanction by telegram." Now I ask you this. Does not Lord Dufferin ask for the sanction of the Secretary of State for India to this particular concession?—Certainly he does. If you asked that question before, all I can say is I misunderstood you. I did not understand you to ask that. What I understood you to ask was whether the Secretary of State had written to the Governor General directing him to send this home.

3896. Then, as I understand it, the Secretary of State had written generally that all such contracts should be submitted for approval?—Yes, all such contracts.

3897. This one was, I think?—Should be submitted for the confirmation of the Governor General, this was one of such contracts.

3898. Then was the Secretary of State's assent given. Lord Dufferin asks, "That we may be favoured with this sanction by telegram." Was the sanction sent. It is not in the Return?—I could not say off-hand, but my impression is that there was a telegram sent eventually.

3899. Giving the sanction?—Well, saying that the Secretary of State, after certain modifications, had agreed, or something of that sort.

3900. Yet you say that the Secretary of State was not responsible for this?—I do not understand.

3901. Was the Secretary of State responsible or not for this concession?—He was responsible in a certain sense; of course he was.

3902. In what sense?—Merely in this; in the sense of acting in a friendly way for the Nizam's Government; and let me say that I think on the whole question that this discussion has got into a shape which, at all events, I cannot

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say that I am responsible for. The position in which the Secretary of State was was in relation to it, as it appears to me, was very apparent on the face of it.

3903. Very?—And it was this that the Secretary of State was deceived by the Nizam's Government; that is to say, was deceived by the responsible agent of the Nizam's Government. On the face of the agreement that was made between the Nizam's Government and Mr. Winter, it is stated specifically, and apparently with some intention, that Abdul Huk was authorised by the edict of the Nizam's Government to enter into this agreement; therefore the Secretary of State had a perfect right to assume that what Abdul Huk had done was really the act of the Nizam's Government, and it appears to me unreasonable, and, so to speak, an impossibility, that the Secretary of State should assume that he had to defend the Nizam's Government against its own acts, or against the acts of its own accredited agent; it was impossible on the face of it. Of course, if the Secretary of State had had the smallest suspicion that Abdul Huk was making an arrangement of this sort, with a view to his own personal profit, the whole thing would have been set aside instantaneously; the question could not have arisen.

3904. Had the Nizam's Government got a right to make a financial contract with a British subject without the consent either of the Governor General in Council or the Secretary of State?—Well, it is a moot question. It is a very difficult question. I am not certainly a person to decide whether he had or whether he had not.

3905. Well listen to what Lord Dufferin says, "We have considered, in connection with the observations in the concluding portion of the 23rd paragraph of the Despatch, No. 19. Railway, dated 21st February 1884, from the Right Honourable the Secretary of State for India, that any liabilities which might be incurred in pursuance of this agreement under 37 Geo. 42, c. 12, s. 28, would be removed by the formal 'consent and approbation' of the Governor General in Council 'in writing.'" Now what is that Statute?—I cannot give it you; you can find that surely.

3906. Do not you know?—I have read it certainly.

3907. That Statute is forbidding, is it not, without the consent of the English Government, any person entering into any financial transaction with the native princes?—I think not, but allow me to say this: the question of the proper construction of this Statute is a difficult one, and I am not in a position to give any opinion that is worth anything at all upon the construction of the Statute, and therefore I think really that no good will come from asking me what is my personal opinion is regarding the Statute. I will add, if you will allow me to do so, that you must not suppose although I have said nothing about the particular way in which the concession was dealt with at the India Office that it merely come before me and that I only looked at it.

3908. The Committee?—Or the other gentlemen that were joined with me in the matter, that we merely looked at it. Of course it was looked at in the regular way in the office, therefore we took advice from the legal officers.

3909. We will come to that?—We did consider this; and all I can say upon the subject is that this particular point you are referring to is a difficult one, and it is a question whether that particular Statute does apply to these things.

3910. Is there any special treaty with the Nizam's Government with regard to it or with the Nizam?—I am not informed.

3911. You do not know?—No.

3912. Then you are not prepared to say that the Nizam's Government has not got a right to enter into any financial arrangement with an Englishman or an English company without the consent, approval, or knowledge of the Secretary of State for India or the Government?—Personally, certainly I am not.

3913. Now this was sent home, and it was sent home, I think, in the correspondence which had taken place in regard to it at Hyderabad between Mr. Cordery and Mr. Durand, I presume?—Some portion (I daresay it was the correspondence that you refer to, I suppose that is printed *here*) came home.

3914. When *this* was sent home (this is Memorandum B.) did it attract your attention in any way?—I have no doubt that I read it.

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3915. Memorandum

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3915. Memorandum B., Clause 2?—I have no doubt that I read the whole of the papers.

3916. You read this: "The first issue of shares has been reduced from 250,000 £. to 100,000 £., and the paid-up capital from 100,000 £. to 25,000 £. This has been done to meet the immediate requirements of the opening of the Singareni coal-fields, &c. The nominal capital is left as originally drafted in the clause I., as it contemplated that further issues of shares will be made in the event of iron or steel works being started at Singareni, or the mineral wealth of the province being developed at other sites." That must have come before your Committee?—Certainly it did, there is no doubt of that.

3917. If that has been embodied in the concession, or words to that effect to carry this out, would not Watson have been obliged to get any additional capital to the 150,000 £. as suggested in Memorandum B by the issue of a further portion of the capital?—Well, I do not really see that, and I have said before, I do not see it. It is perfectly true that the intention of the Government of India was that 150,000 £. should be paid up, and immediately applied to the working of the mines; of that there is no doubt at all, and that the difference between that 150,000 £. and the 1,000,000 £. should, in the future, be available as it was required for extending the operations of the Company. There is no doubt about that at all, and there never has been any doubt, and I have never suggested that there was a doubt. The real question as it appears to me is this, whether under the circumstances, it would have been possible to have framed a contract which should have prevented that being done which was done. Now what I say is this, and it appears to me also on the face of the case, that it is perfectly true that what Abdul Huk, acting on behalf of the Nizam's Government, actually did was this: He made an arrangement which was diametrically opposite to the avowed intention of the Government of India, and of his own Government.

3918. Well, that arrangement was sent home to England?—It was, but we had no knowledge of it.

3919. But you had this before you: "It is contemplated that further issues"?—Wait a minute. What I say is, that if the Nizam's Government and its agents had been honest to themselves, what has happened could not have happened. The thing would have been impossible. I put it in this way broadly: I look upon Abdul Huk, so far as this concession is concerned, as the Nizam's Government. He was the avowed agent of the Nizam's Government, and therefore so far as this agreement went, he did represent the Nizam's Government; and, therefore, I say that from that point of view, the Nizam's Government deliberately made an agreement with the intention of applying the difference between that 150,000 £. and 1,000,000 £. to their own personal ends; and I say that with an agreement entered into in that way, without the cognisance of the Government of India or the Secretary of State, the only way in which we could look at it was to look at the surface of the thing. We had absolutely no knowledge of Abdul Huk's intentions. Of course, it is quite easy, as I said when I was examined before, now that we see what Abdul Huk's intentions were, to have said that, in some way or other, it would have been desirable to guard against this. I quite admit it, but personally I am quite unable to say how it might have been done; and I would further say this: that, as far as I can follow it, White and Borrett's draft-agreement has in reality, in all respects, as regards what I may call the technical legal arrangements under which the concession was to be given, and under which the concession was to be transferred to a company, been followed entirely. There has been no change excepting one. So far as I am able to judge, again, I think, as regards the principle of the thing, it really does not affect the question. In White and Borrett's draft the 500,000 £. of subscribed capital is mentioned.

3920. Yes?—Mr. White himself in his letter points out that this is what he calls a Founder's Company or a Founder's Concession. And he points out that precautions ought to be taken. It is perfectly true; but remember, that that letter was addressed to the Nizam's Government, and he assumed as we assumed, he and the counsel, that it was referred to (Mr. Blakesley), that they

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they were dealing with honest people, and that the Nizam's Government really wished to protect themselves. If, in spite of all this, the Nizam's Government go deliberately and enter into an agreement, as I said before, with the intention of circumventing its plain intention; we cannot be responsible for that. Messrs. White and Borrett were not responsible, Mr. Blakesley is not responsible, and I say that we are not responsible, that we could not have had any knowledge of it at all. Then I say, as regards the technical form of the agreement, so far as English Joint Stock law goes (which, I apprehend, is rather a difficult thing to manage.) So far as its application to an agreement of this sort is concerned we naturally considered that people in the position of Messrs. White and Borrett, and Mr. Blakesley, would know that was sufficient; and so far as I can judge, I repeat again, that if the Nizam's Government and its officers had been honest, what has occurred could now have occurred; and that they could perfectly well have controlled the amount of remuneration that was ultimately given to the concessionnaires. That is really the whole of the view that I take.

3921. You say that White and Borrett were in no sort of way representing you?—No, certainly not.

3922. Then why did you depend upon them to do it?—You appear to assume (which appears to me to be, an altogether wrong assumption), that we were making these arrangements. We were not making the arrangements. The arrangements were made by the Nizam's Government, and we merely looked on in a friendly way to see whether the arrangements that were being made were on the face of them such as appeared proper. And I may add again, that as regards the actual action we did take in the India Office we did look into the contract. It is not a matter I should say likely to be of the smallest interest to the Committee what was the particular way in which I looked at it, but I have here a Memorandum of my own, in which I went through the contract almost clause by clause, pointing out what I thought about it; and I may further add, so far as the Nizam's Government are concerned, we at the India Office (and I take personal credit to myself for having done it), did make provision which I think virtually does protect the Nizam's Government from any real damage from this concession in spite of all that has happened. I may be right or wrong, but that is my conclusion.

3923. I will ask you about that; but you observe the correspondence that took place between Mr. Durand, Mr. Cordery, and Salar Jung, between Hyderabad and Calcutta about this concession?—Yes.

3924. Now look at these phrases. Are these phrases consistent with the Nizam's Government, having the right to do what it likes. This is a letter from Mr. Durand to Mr. Cordery?—Which page is that, please.

3925. Page 25 of the Parliamentary Correspondence, "The date for the formation of the Company may be any date within six months," &c. "The first issue of shares may be 160,000 £.;" "a minimum royalty may be fixed for for each mine." Now is that consistent with the Government of Calcutta not arrogating to itself any right to alter any terms in the concession?—It appears to me that you totally misread that, that the signification of that is this: That "may be" are the words of the contract. It has nothing to do with the Government of India. They are merely reciting what is in the contract, or what is in the draft rather, the Government of India does not say it; it is the draft that says it.

3926. Then what on earth does he write in this sense for?—I did not write the letter.

3927. But is not it an extraordinary way to act, to take up the draft and write this; do you really seriously mean to say that you think this merely the statement of the draft?—Certainly; and although I cannot say I am a great admirer of the ordinary forms of official correspondence, they usually do begin, as it appears to me rather stupidly, with a recital of what is being discussed, nothing is more common in fact.

3928. A stupid recital; I cannot see any recital there?—I do not know that this particular one is stupid. I say that is my reading of it. I do not attach any particular value to it.

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3929. Are you aware that Mr. Durand wrote to Mr. Cordery to tell him that the negotiations must not take place between the Prime Minister, Sir Salar Jung, and Mr. Watson, but that they must go through Mr. Cordery?—Yes, he says that they should do that.

3930. And yet there was no responsibility?—I did not say that there was no responsibility. I never said that there was not any responsibility.

3931. And yet there was not (let us put it) full responsibility?—Full responsibility, acting according to their lights, with the lights that they had at that time.

3932. Then they acted according to their lights, and were responsible for that view, subject to their lights?—Yes.

3933. Subject to their lights?—Quite so.

3934. Of course nobody could do more than that?—Quite so.

3935. When this came home it was put before the Committee, was it not?—Yes.

3936. Do you, for instance, know anything practically about the working of the law of limited liability companies?—More or less.

3937. More or less?—Yes. I have had a great deal to do with other companies.

3938. Then you knew it?—No. Who does know it? I do not believe anybody knows it.

3939. You do not believe anybody does know it. Excuse me, out of the India Office a good many people know it. Did you submit it to anybody who did know it?—The contract was looked at in the India Office.

3940. By whom?—By our legal adviser.

3941. Who is your legal adviser?—Mr. Pontifex.

3942. And he did not in any sort of way say this did not give effect to the intentions of Mr. Durand?—I am not aware that he said anything of the sort.

3943. He was shown, I suppose, the memoranda, or was he shown the contract?—He saw the whole of the papers, of course, if he saw anything.

3944. Well, Watson did get 850,000 £.; that you are aware of?—Well, he got 85,000 shares; he and his associates.

3945. Watson and his associates; do you hold that the concession was worth this?—Worth to whom?

3946. Well, to Watson; the 850,000 £.?—Apparently if he got it it was.

3947. You hold that it was worth 850,000 £. value in the market?—You must be a little more explicit if you say "worth."

3948. Was what the Nizam was giving away worth to anyone 850,000 £.?—Well, it appears to me that, to use the ordinary expression, the thing is worth what it will fetch. But, excuse me, I do not understand that the Nizam's Government was giving anything away.

3949. Nothing? Then what did Watson sell?—That is a different thing entirely; quite a different thing.

3950. Watson sold something?—That may be.

3951. He sold the concession. Anyhow the Nizam gave the concession *quantum valeat*, whether it was worth anything or not?—He did.

3952. Watson did sell this concession to a company for 850,000 £.?—Yes, I believe that is a fact.

3953. Eight-five thousand shares we will call it?—Yes, or whatever it is.

3954. Do you consider, from having looked into the matter, that it was worth this 850,000 £.?—To the Company.

3955. To the Company?—All I can say is that I should be very sorry to give 850,000 £. for it.

3956. Do you consider that it was worth anything?—Well, I would not say that it was not. Let me ask you a question?

3957. This is what I want to arrive at?—But what is my opinion worth?

3958. Whatever the value was, you took it, and assumed it to be worth something, did you not, in the concession?—Yes.

3959. You said before, it was a question of how much Watson could sell it for?—Yes, that was my impression.

3960. Was

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3960. Was not the Nizam's Government plundered of anything for which Watson could sell the concession?—There you get also into deep water rather.

3961. Why?—What was the position of the Nizam's Government in relation to the concession?

3962. Yes?—I mean that is what I really hardly know positively. It is alleged, as I understand, that the Nizam's Government, that is to say, that the authoritative head of the Government, the Minister, gave Abdul Huk plenary powers to do what he liked, and to get what he could.

3963. Out of the promoters?—Out of anything; out of the concession.

3964. I am not asking you that question about whether Abdul Huk had plenary powers. What I am asking you is this: This concession was given for nothing by the Nizam's Government, Watson sold the concession to a Company?—Yes.

3965. He did sell it for these 85,000 shares?—Yes.

3966. Call it 100,000 £., or whatever you like; but he did sell it, so far as regards the actual fact of selling it?—Yes.

3967. Was not the Nizam's Government, who had given it for nothing, defrauded, plundered, of any amount that Watson may have received from a Company as to its value?—No, I think not.

3968. Why not?—Because it appears to me that the agreement on the face of it, necessarily implied that there should something pass as between the concessionnaires and the Company.

3969. Now I will give you a case in point: I will suppose that Mr. Raikes, who is Postmaster General, were to give to me a concession to do something connected with the Post Office; that I were to sell this concession for 100,000 £. to a Company two weeks afterwards; would it not be held, that owing to Mr. Raikes' remissness, the country had lost, had been plundered, of this 100,000 £.; because if I could get it from the Company, the country could have got it by selling the concession?—In general terms I should agree with you but we—

3970. How long, do you think, Mr. Raikes would remain Postmaster General?—But I say the Nizam's Government itself made the arrangement.

3971. Then you throw it on the Nizam's Government?—Entirely.

3972. Entirely on the Nizam's Government?—I do.

3973. With all this correspondence?—Certainly.

3974. With Mr. Durand writing Mr. Cordery what he is to do?—Certainly.

3975. With Mr. Durand telling him that Salar Jung is not to correspond; or rather that Watson is not to correspond directly with Sir Salar Jung, but through Mr. Cordery. With the orders to send this home, and this being submitted to your committee and your legal advisers, you absolutely say that the Nizam's Government, and not you, are responsible?—Certainly.

3976. We take that from you *quantum valeat*?—For this reason: the Nizam's Government had made an arrangement; in fact, they had made the contract.

3977. Perfectly?—They had made the contract with the knowledge that this was going to be done, and they did not inform us. If the Nizam's Government had informed us that the intention was that Mr. Watson should sell the concession for 850,000 £., there can be no question but that the whole thing would have come to an end.

3978. How do you know that the Nizam's Government intended that?—Because they had authorised Abdul Huk to make the agreement; and I say that Abdul Huk, so far as that agreement was concerned, was the Nizam's Government. I cannot separate them.

3979. But Abdul Huk had been authorised to make what agreement?—The agreement that was made.

3980. The agreement that was made?—Yes.

3981. Certainly; but then the Government interfered. You interfered in this agreement. You and the Calcutta Government interfered in this agreement?—Not at all.

3982. Took it upon yourself?—Not at all.

3983. You did not interfere in any sort of way?—We interfered so far as we thought.

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thought on the face of it the interests of the Nizam's Government required it. I have repeated this over and over again.

3984. Did not you know that the interest of the Nizam's Government required that he should not give a contract which was worth 850,000 *l.* more or less, for nothing?—I say it was not worth 850,000 *l.*

3985. More or less, I say; called it 100,000 *l.*?—There was a certain advantage; the Nizam's Government might reasonably have been supposed to think that there was an advantage in getting the mines of the country (the coal mines and other mines, diamond mines, and so forth) worked; and, in order to induce people to expend capital upon this, they entered into an arrangement (I need not go into the details of it) which is contained in this concession; and I presume that the persons who took the concession assumed that they might be able to make something out of it. It gave them a certain advantage.

3986. When you looked into the contract here you acted upon that assumption, that Mr. Watson would sell it to a company for something?—Yes.

3987. And you deliberately left it to his good judgment for how much he should sell it?—Not at all.

3988. You did not?—I beg your pardon; I did nothing of the sort. What I did was to leave it to the Nizam's Government.

3989. I beg your pardon; if you assented to that contract, and held that Mr. Watson might sell it under that contract, it was left to Mr. Watson, whether he should sell it for 100,000 *l.*, or for 850,000 *l.*; is not that so?—No, I do not think it is.

3990. Why. Now explain?—For this reason, that the arrangement under which the contract is made was made with the cognizance, and under the specific authority of the Nizam's Government; and I had a perfect right to assume (as I did assume), that the whole of the arrangements that had been made between the Concessionaires and Abdul Huk had been approved by the Nizam's Government; I had a right to assume that.

3991. Are you aware that in the draft of White and Borrett, the proposal was that 500,000 *l.* should be first paid up?—No; "subscribed," if you please.

3992. Subscribed 500,000 *l.*?—I am perfectly aware.

3993. And that Salar Jung, junior, the Minister, demanded that at least 250,000 *l.* should be subscribed?—Yes, I have seen the whole of that discussion.

3994. And that the Calcutta Government interfered and reduced it to 100,000 *l.*?—They said 100,000 *l.*

3995. They said 100,000 *l.*?—They said they thought that 100,000 *l.* was enough.

3996. If the 250,000 *l.*, suggested by Sir Salar Jung as a compromise, had been inserted would it not have been impossible for Messrs. Watson to have made 850,000 *l.*?—Well they would have got 100,000 *l.* less; and if White and Borrett's 500,000 *l.* had been put in they would not have been able to make more than 500,000 *l.* out of it.

3997. Is it not then the fact that the suggestion of the Calcutta Government put 100,000 *l.* into Mr. Watson's pocket?—It was the means of putting it in.

3998. It was the means of putting it in?—I do not dispute it.

3999. And yet you at the India Office, as you say yourselves, should not know about English Company Law?—I say I was deceived.

4000. Do you think the Nizam's Government knew about the English Company Law?—That is much more than I can tell you. I should think probably not.

4001. Do you not think the Nizam's Government depended upon the English Government in any sort of way?—Not as regards that.

4002. Not as regards that; to advise them?—It appears to me, that we are going altogether upon a different basis in this discussion. I say that the Nizam's Government was Abdul Huk, so far as the arrangement was concerned.

4003. That we will admit?—If that is so, it appears to me there is nothing further to discuss.

4004. Then you sent to Lord Dufferin to have all these contracts sent over to

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to England to be subjected to your sanction merely as a sort of form and amusement?—Not at all. It was not a sort of form or amusement. We did look at it.

4005. I know you did?—And I say so far as reasonable people can go, we did go; at least that is my impression. Of course, I may be quite wrong.

4006. You say you had no responsibility, and yet you say you acted, so far, as reasonable people could act?—I beg your pardon. I did not say that I had no responsibility. I said that our responsibility was a limited responsibility.

4007. Very well; where is the limitation?—The limitation is that it was our business to advise the Nizam's Government, supposing that that Government was treating with us honestly. Now, I say that it was not treating with us honestly.

4008. Did you advise the Nizam's Government that this concession ought to be carried through?—No.

4009. What was the ground for your sanction; you telegraphed out "Sanction"?—There, again, it appears to me there is a distinction which it is necessary to observe. We did not recommend it. What we did say was that we had no objection to it; we authorised its going on.

4010. Would it have gone on, if you had stated that you had an objection to its going on?—No.

4011. No?—Well, I should not say that even; perhaps I am rash in saying that. The agreement had been made; the agreement was actually concluded before we knew anything about it. What the power of the Secretary of State would have been is more than I can say.

4012. You think it is quite possible that this concession would have been carried out if the Secretary of State had written to say that he entirely disapproved of it?—Well, I would not say that. I say it is possible. I cannot say more.

4013. But not probable?—Well, I should say not probable.

4014. Have you read clause 11 of the concession?—I have no doubt I have read it all; yes.

4015. You will see there that Watson acquires the right to call upon the Nizam to give a lease?—May I just ask which you refer to (there are so many clauses and sub-clauses)?

4016. Mr. Coward.] It is page 28, Sir, of the Correspondence?—There is another eleven. I was looking at the wrong one.

4017. Mr. Labouchere.] You will see there, I think, that Watson acquires the right to call upon the Nizam's Government to give him or his nominees the lease of any mines?—Quite so.

4018. That that amount of royalty is to be reserved?—Yes.

4019. And the royalty is to be based upon what is a "fair rent"?—Yes.

4020. Is not that so?—Yes.

4021. Now, is it not a fact that a fair rent is everything in excess of adequate remuneration on the part of the lessee for skill and labour an adequate return upon capital expended?—Yes.

4022. Is not that so?—Yes.

4023. That is what a "fair rent" would be?—Yes.

4024. Then, how possibly could Watson sell this to any person, except for a nominal sum, because all in excess of a fair dividend to the Company would go in fair rent to the Nizam?—I presume it would. It is said here that the fair rent is to be fixed by agreement between certain engineers, one appointed by the Nizam's Government, and one appointed by the Company.

4025. I ask you this, because we have it in evidence from Mr. Watson that they contemplate selling a portion of those goldfields for very large excessive sums; would not that clause debar them from doing it?—Upon my word again, I should be extremely sorry to say that, when one sees how mining concessions are sold.

4026. This is "fair rent." It would not debar them, but the person who purchased it, from deriving any advantage?—I am afraid that has not very much to do with the buying and selling of shares.

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4027. I am

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4027. I am not talking of the buying and selling of shares. I am talking of the actual value as Mr. Watson valued it to sell?—Really, is not that for him to say?

4028. No; would not the Indian Government, after having given its consent to this concession, interfere and warn the public?—If I may ask you in return a question?

4029. Certainly?—Is not really the whole question at issue whether Mr. Watson took too much?

4030. No, not at all?—Supposing he had taken 1,000 £, would anybody say that the actual labour he had bestowed upon getting the concession was not worth something; that his expenses might be repaid, and so on?

4031. I will tell you, in reply to that, what my impression was. Mr. Watson, if I remember, had already obtained the railroad concession. Mr. Watson was not a contractor. Mr. Watson was a financier in regard to this railroad concession, when he obtained it. He simply got up the Company as a financier; that is to say, he got it up by underwriting the capital of the Company, and he received 100,000 £ for doing so. That is all they knew of Watson. I imagine that they thought Watson would do the same thing in this instance; that he would get up the Company, and that when the Company was *bond fide* formed and there were real shareholders, that they would say we shall give you 100,000 5 per cent., 6 per cent., or 7 per cent., for your trouble in getting together the capital. That is what I imagine it was?—I am afraid not.

4032. Then according to you, you felt that Watson had a right to do it, and you left it to Watson with that confiding innocence which I should not have thought would have characterised (if you will excuse me saying so) eminent Indian officials, to decide whether it should be this 100,000 £ as you suggest, or the 850,000 £ that he appears most intelligently, to have suggested himself. You left that entirely to him?—I am not prepared to accept that view at all.

4033. Will you show me how you did not leave it to him; show me the clause in the concession where you did not leave it to him?—The ultimate arrangements were left to be determined between the concessionnaires and the Nizam's Government.

4034. Now about the 83,000 £. It came to the knowledge, I understand, of the India Office that Abdul Huk had kept back 83,000 £ of the amount paid for the railroad; is not that so?—No, I do not think that that is the proper way of putting it. The money that was paid for the railroad was paid into the account of the Nizam's Government in London in one of the banks, and Abdul Huk having, I presume, authority, paid himself out of that the 83,000 £. The Company had nothing to do with it; it was outside altogether of them.

4035. How did it come before the India Office?—I mentioned that; that there was a paper that was printed at Hyderabad which went into a long statement, drawn up by Abdul Huk, of what he had done, and in that there is a statement that 86,000 £, or 87,000 £, had been applied in some manner outside of Mr. Watson's 100,000 £ altogether; and, on the face of it, it did not appear to us that the explanation was a satisfactory one.

4036. Then did you protest in any sort of way?—I have read the letters which passed on the subject. Perhaps I might say that the manner in which we considered that we were concerned in that was this: that when Abdul Huk had completed the negotiations for the railway we wrote him a polite letter from the India Office saying, that he had done his work very well, and that it was very creditable to him, or something of that sort; and having discovered that he had received this 83,000 £, although he had constantly stated at the India Office that he had no personal interest in the formation of the Company, it was thought right to address the Government of India upon the subject, and to point out that we knew nothing about it, and that if we had known anything about it we should not have written in the manner we did; but as the thing was done, and as there was every reason to suppose it was done by the authority of Sir Salar Jung himself, it was not considered expedient to say anything about it. Sir Salar Jung was dead, and the whole thing was over.

4037. How did you arrive at the conclusion that this was done by the authority of Sir Salar Jung?—We were informed that it was so.

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4038. By whom?—The papers are *there*. The manner in which the information was obtained by us was, that, as it appeared to be a payment in connection with the railway, we wrote to the Railway Company to ask them what they knew about it, and the Railway Company in reply told us what the facts are.

4038*. Then you got entirely your facts from the Railway Company?—From the Railway Company.

4039. Did the Railway Company send you to the India Office the copy of the letter of Sir Salar Jung, of December 1881, in which permission is given?—No.

4040. Then what did they do?—They stated it.

4041. They stated that Sir Salar Jung in 1881 had given permission to Abdul Huk to take the money?—You must let me see exactly what they did say, because I cannot say off-hand (*referring to documents*). I have found the letter; it is this, dated 5th August 1885, from the Nizam's State Railway Company (*reading the same*).

4042. Then you accepted that from the Railway Company without any further investigation?—Then we wrote to the Government of India, as I said when I was examined before, and the Government of India replied, saying that it was so.

4043. Were you satisfied with the reply of the Government of India?—I presume that the Secretary of State was satisfied, because no further action was taken on it.

4044. Now, about the purchase of shares. I am going to ask you a question about that?—May I make one remark further, because you ask me, "Were you satisfied with this letter of the Government of India?"

4045. Yes. When I am speaking of "you," I am speaking generally?—Let me explain. The position of the Council and of the Secretary of State is probably not altogether understood properly; and one of the questions which was put to me when I was here last is, perhaps, liable to misconception on that ground. The Council, as such, have no power of initiative at all. Our function is to advise the Secretary of State on any matter that he puts before us. Therefore, if you ask me "was I satisfied with that," all that I can tell you is, that on receipt of that letter the Secretary of State took no action.

4046. *Chairman.* Who was the Secretary of State? What time are you speaking of? Give us the date?—This is addressed to Lord Kimberley.

4047. I only want the date?—The first letter referring to it, pointing out that this money had been taken, was written when Lord Randolph Churchill was Secretary of State, and the reply came when Lord Kimberley was Secretary of State. We have had a good many changes lately.

4048. I only want the date——

4049. Mr. *Labouchere*.] About this purchase of shares belonging to Abdul Huk, I just want to ask you this: You saw, perhaps, in the Yellow Book, an extract of a memorandum of Sidar Diler Jung, "The reason for the silence of the Government of India was" (speaking in regard to the telegrams) "that the matter had been referred to the Secretary of State. It was considered in committee, and laid before the Council and passed; the proposal having been considered by the whole Council, including the Secretary of State, who has the best means of judging of its value as sound and desirable, both from a political and financial point of view." Is there any truth in that?—No, I explained that when I was here before.

4050. There is no truth in it?—There is no truth in it.

4051. Can you tell me who Mr. Hughes is; the head of the Geological Department in India?—All that I know of him is that he is not the head of the Geological Department; that is a mistake. He is one of what they call the superintendents of the Survey.

4052. He is an English official, as I understand it?—Yes; he is on the Survey of the Government of India; and the point regarding him is that the Mining Company wanted someone that they could trust to see really what was the value of the concession that they had got from the Nizam. Mr. Hughes was on leave in England at the time, and he had been employed in the geological examination

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tion of those districts, or districts contiguous to them, and the Secretary of State was asked whether he would let the Company have the advantage of Mr. Hughes services to aid them, and the answer was: "You may, but you will have to pay his salary."

4053. Then would Mr. Hughes have been allowed to receive a bribe?—I should suppose not.

4054. From Mr. Watson?—I should think certainly not.

4055. Should you call it a bribe, giving Mr. Hughes a large number of the shares?—Well, I should think it is an objectionable transaction certainly.

4056. Should you be surprised if you heard that that objectionable transaction had taken place?—I am afraid I should be surprised at nothing.

4057. You were on the committee that assented to the original railroad concession, were you not?—Yes.

4058. You were on that committee?—Yes.

4059. Mr. Watson appointed your brother Chairman of the Railroad Company, did he not?—Mr. Watson, no.

4060. Who did?—I do not know that Mr. Watson had the appointment rather than anybody else.

4061. Are you aware that your brother's name appears on the prospectus as a director, and I believe he was subsequently chairman?—Yes.

4062. Before any of the shares were subscribed?—Well, I suppose that is so.

4063. Then that would be Mr. Watson, would it not?—It was arranged; but who arranged it, I really could not tell you. I cannot say.

4064. Then you assented also to the mining concession?—Yes.

4065. Mr. Batten, you know, is the chairman of that company?—Yes.

4066. Is not Mr. Batten your brother's brother-in-law?—He is. That is perfectly true. As you have asked that question in that form, I think it is right that I should add that before Sir John Strachey was asked to become Chairman of the Railway Company, it had been arranged that Sir Bartle Frere should be the chairman, and Sir John Strachey, as he tells me, asked Sir Bartle Frere what he knew about it; and Sir Bartle Frere said (and it was an opinion that was held very generally) that it was extremely desirable, in the interests of the Nizam that some thoroughly responsible person who could be trusted should be chairman of the company; and under those circumstances Sir John Strachey accepted the position, and when he left the Company Sir Richard Meade, who had been Resident at Hyderabad took the place.

4067. Sir Richard Temple.] Was it not with the knowledge and approval of the Government, or of the Secretary of State?—That Sir John Strachey took the chairmanship?

4068. Yes?—Certainly.

4069. Did not Sir John Strachey accept that position with the knowledge and approval of the Secretary of State?—Certainly.

4070. And Sir Richard Meade, also?—And Sir Richard Meade, certainly.

4071. Was not their object in accepting this position to keep the affairs in a straight and just course?—To a certain extent, yes.

4072. And to protect the public interest?—And to protect the public interest.

4073. Mr. Slagg.] Will you be good enough to look at Question 3731 on page 222 of the last sitting. "The concession, I think, you said was to some extent discussed in Council." Your answer was, "Yes, it was." It was authorised by the Secretary of State for India in Council." I want to ask you to-day whether you do not think that that answer implies that the Secretary of State for India had absolutely and entirely become responsible for the concession?—As I have said more than once the responsibility of the Secretary of State was a limited responsibility, and of course it was accepted subject to the information that he had.

4074. Yes, of course it was subject to the information that he had; but so far as the Secretary of State for India in Council could undertake the responsibility he did so?—The responsibility that he accepted was that he did not interfere with

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with the Nizam's Government carrying out the wish that they had for giving this concession to Mr. Winter, for carrying out mining operations.

4075. But the Secretary of State could have prevented anyone else interfering with that contract, could he not?—I do not exactly understand the question.

4076. The Secretary of State for India in Council (that is the India Office), assume the right to deal finally with documents of this sort, and could prevent anyone else taking that position, they were supreme; whatever functions they could exercise nobody else could exercise equivalent functions; is not that so?—I do not understand what the question is that I am to answer.

4077. What I wish to know is this, you say there is some ambiguity about the authority of the Secretary of State for India in this matter; what I wish to have cleared up is this: if the Secretary of State for India is not responsible in dealing as he did with this concession, who is responsible; what is the ultimate final court of appeal to which such documents may be submitted, if not to the Secretary of State for India in Council?—As far as I understand, the Hyderabad State is, what we at all events in India call an independent State, and the relations of the Indian Government with the Nizam's Government are regulated by treaty. I have said that before. There is no doubt that the Government at Hyderabad is greatly under the influence of our Resident, and that in the cause of peace and order and respectability we do endeavour to exercise an influence there; but it is an influence that we exercise; we have no power whatever to give orders. We have powers in a certain limited way to interfere with the action of the British subjects in India. But even that, as I apprehend, is a limited power.

4078. Would you turn to the letter from Mr. H. M. Durand, dated Rawal, Pindi, 11th April 1885, page 20, in the Parliamentary Paper?—Yes, I have got that.

4079. The concluding sentence of Clause 5 runs thus: "I am to request that you will recommend to the Minister and to the agent of the Company that the agreement may be concluded on these terms, which are, in the opinion of the Government of India, much more satisfactory than the provisions of the draft agreement as received." In that communication you recommended this concession in a certain altered form to the Minister and his agents. Now, I want to ask you whether it is within the power of the Minister and his agent to resist that recommendation in any way, and, if so, in what way?—There again I think your asking me a question that I am incapable of answering. I have said before that I have no personal knowledge of the political functions of the Government of India or of the Secretary of State. In reality they are quite distinct from any of the other functions that are exercised; and my concern in the Government of India, both my experience in India and here in this country, has been in the ordinary administration, and not in the relations with native States.

4080. Can you tell the Committee what would be likely to happen if the communication or recommendation had been resisted or repudiated by the Nizam's Government. What would have been this action of the India Office; would they have been content?—I really cannot tell you.

4081. Do you think they would have sat down quietly and submitted?—It entirely depends upon the degree of importance that the Government of India attached to the particular recommendation that they made. It is stated there specifically, "We recommend it." The Resident is not told that he is to compel the Nizam's Government to accept this.

4082. Would not that recommendation have been enforced under ordinary conditions?—Of that I have really no means of judging any more than you have yourself.

4083. Then about Mr. Watson's commission. How did you think his commission was to be provided for; did you give any opinion upon that subject?—I certainly did not. When the concession came up, as I have stated more than once, the particular manner in which the transfer was to be made of the concession to a company did not arise at the India Office. It was assumed that

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those arrangements had been sufficiently provided for in the agreement that was made by the English solicitors.

4084. You did not yourself reserve any clause or any provision in the concession by which this commission or remuneration should be made to Mr. Watson; you thought that was left to general arrangement?—Obviously anything that was given to Mr. Watson must in one shape or another have been paid to him by the Company, and it was a question as between the Company and the Concessionnaires.

4085. You did not think it necessary for powers to be inserted in the concession to that effect?—I do not see how anything the sort could have been done.

4086. I think that you admit that the fact the Government of India, the Secretary of State for India in Council, has almost supreme authority in regard to matters going forward in native states. When it took upon itself to recommend this concession it really undertook to do something very strong indeed, and very impressive with regard to the future fate of the concession, did it not?—I do not know that I exactly understand the drift of the question; but so far as I understand the whole of those transactions (the railway transaction and the mining transaction), they merely represent the outcome, so far as the Government of India and the Secretary of State are concerned, of a desire (and, as it appeared to me, a very laudable desire) on the part of the Indian Government to do what they can to facilitate the improvement of all parts of India; the native states as well as their own states. It was thought, and I think most properly, that the extension of railways in Hyderabad would be extremely advantageous to the Hyderabad State; and in the same way, so far as I am able to judge, equally it was a perfectly proper thing for the Government of India to countenance, and for the Secretary of State to countenance, the working of valuable coal in the Nizam's country; and supposing that there is gold, or that there are diamonds, at all events, not to stand in the way of these sorts of mines being worked.

4087. But, if you had the same thing to do over again, I suppose you would do it in a different manner?—If I had the same thing to do over again, and I was again deceived by the Government that I was treating with, I think it is quite possible I might do it in the same way. It is question of deception.

4088. Do not you think in future the Government would be well advised to take precautions against the possibility of such a state of things?—There is the exact difficulty. If you throw upon us the responsibility of seeing that nothing whatever, of any description, is done wrong in the transactions of every Native State in India, all I can say is that you put a tremendous burden upon the Government, and that we cannot undertake it. The thing is an impossibility. On the one side, you say you are to stand in the way of English capital being applied in the Native States, on the other, if we say that this shall not be done, except under the most strict regulations, then you tell us "you are interfering with the development of the country." There we are on the horns of a dilemma.

4089. No?—If we go to the right hand, we are abused for the one thing, and if we go the left, we are abused for the other.

4090. I do not undertake to say anything of that kind, or give any such explanation. The Government sanctioned a certain concession, and it has turned out in a certain way. I think you said, in answer to Mr. Labouchere, that you personally took some precautions in regard to the working of this concession, which secured the Nizam's Government against the consequences of the concession. I think those are your words?—I say against certain evil consequences; yes.

4091. Would you be kind enough to point out where that security is given?—I will. If you will turn to the published correspondence at page 34 you will see what the explanation is there. There is a letter from the Secretary of State to the Government of India explaining what had taken place, and the enclosures point out what we had done.

4092. Is in which part?—Those enclosures 1, 2, 3, and 4.

4093. Can you tell me what is the general effect of them?—It is this. This is in Mr. Stafford Howard's letter of the 5th May: "The Secretary of State, while

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[Continued.]

while offering no objection to the general scope of the contract, is of opinion that some of its provisions require re-consideration. Clauses 4 and 17 of the contract provide that, under certain conditions, the concessionnaires shall be granted leases for 99 years of whatever areas may be selected by them for mining purposes. This length of lease appears to be excessive, while sufficient provision is not made to ensure the concessions being actually worked within a reasonable time. To meet these points it is considered that either a stated dead rent should be paid on each specific concession, or a condition should be added to admit of the leases being determined if working has not begun after some reasonable specified period, or is not continued to the satisfaction of the Nizam's Government; and that a shorter term than 99 years should be taken, or power to determine the leases on payment of compensation for the value of the fixed plant and conveniences." And what actually was agreed to is mentioned here. Mr. Watson says: "With reference to my interview with the Council this day, at which they expressed a desire that some provision should be made to ensure the development within a specified time of any lands taken up in pursuance of the agreement made between His Highness the Nizam's Government and myself and Mr. John Stewart, and that we, the concessionnaires, should undertake, with the Secretary of State for India, that any lands so taken up, and on which active mining operations are not commenced before the end of the year 1896, should be surrendered by us, I beg to state that I am prepared to give this assurance." The consequence is that if at the end of 1896 mining operations are not actively going on in any of the places for which leases have been given, the Nizam's Government has a right to resume them, and therefore the inaction of the Company cannot stand in the way of any further development of the Nizam's mining property.

4094. But that protection does not extend to matters relating to this apparently large commission of 850,000 £.?—Obviously not.

4095. It was only as to the mining leases, and so on?—Only as to the mining leases.

4096. I think you said, in answer to Mr. Labouchere, that no loss had fallen upon the Nizam's Government by the disposal of this concession?—So far as I appreciate the position.

4097. So far as you appreciate the position?—Yes.

4098. But has not a very considerable loss fallen on the British public?—I am not prepared to say that it has, or has not. That remains to be seen.

4099. Do you think that the public would have bought these shares in the same degree if they had not been under the impression that the concession had been looked into and sanctioned by the Government of India?—I really cannot see the utility of asking me a question of that sort. How can I possibly tell the views or intentions of persons who bought shares from Mr. Watson or any of the concessionnaires. As I have suggested in what I have said here to-day, I should say that 50 per cent. of the people who buy shares of this sort buy them with the intention of selling them again.

4100. But do not you think that it would be a very strong support to the position of the shares for the public to feel that the Government of India had looked into this question and sifted the merits of it, and that they had finally sanctioned it?—I should think it is for everybody to judge for themselves.

4101. Mr. Littler.]. You are well acquainted, I think, with the geology of India, are you not?—More or less.

4102. So far as the Singareni coal-field is known, it is quite capable, is it not, of supplying the whole southern railways of India?—I have every reason to suppose that it is.

4103. Of course it has not been actually tried; and would be of very great value to the Indian railways themselves?—Indisputably.

4104. Apart from the very great value of it to anyone who works it?—Indisputably.

4105. Did you form any opinion, or did you enter into your consideration at all, how the concessionnaires were to be paid for raising even 150,000 £., and so on?—No; I have already said it did not.

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4106. I did

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[Continued.]

4106. I did not catch your answer—

Chairman.] He has said it twice.4106* *Mr. Littler.*] You have already said you did not; and I need not trouble you with that. I believe recently a number of other documents have arrived at the India Office, have they not, relating to this matter?—Well, I have no positive information about that.

4107. Has there been any inquiry made by the India Office within the last two or three days from India as to these matters?—I have no official knowledge of that at all.

Chairman.] Inquiry made by whom, Mr. Littler?*Mr. Littler.*] At the India Office.*Chairman.*] By whom?*Mr. Littler.*] By the India Office,*Chairman.*] Made by the India Office?*Mr. Littler.*] Yes.*Chairman.*] No.*Witness.*] If you wish, I will say what I know about it?*Chairman.*] No, no; what is the object of asking what inquiry the India Office has made?*Mr. Littler.*] Because if there has been an answer to a telegram.*Chairman.*] You must please get that in some other and more direct way.*Witness.*] I know nothing about it.4108. *Mr. Littler.*] As I gather, the only way in which you point out to the Committee that harm can have been done is, that you think it is impossible to raise any further capital?—I am not prepared to say that I ever said that.

4109. If further capital can be raised for any object which is wanted is any harm done to the Government of Hyderabad?

Chairman.] Is not that rather, Mr. Littler, for the Committee?*Witness.*] I really cannot say.*Chairman.*] The Committee is well able to judge of that. We want facts, if you please.*Mr. Littler.*] As I do not desire to pursue that class of question, I think that is all I need ask.*Chairman.*] There is no other counsel.

Mr. WILLIAM CLARENCE WATSON, re-called; and further Examined.

4110. *Chairman.*] The first directors were Mr. Batten, Mr. Hemmerde, and Mr. Milne?—Yes.

4111. We have heard of Mr. Batten; and Mr. Milne became secretary; who was Mr. Hemmerde?—A friend of mine.

4112. Who is he?—He was the manager of the Imperial Ottoman Bank.

4113. Mr. Hemmerde was the manager of the Imperial Ottoman Bank. The last trace I can find of him sitting as a director, is the 3rd of September; on November the 10th he resigned?—Yes.

4114. Leaving for the time, the Board consisting of yourself, Stewart (concessionaire), Mr. Winter, and then Mr. Henry Parkinson Sharp?—Yes.

4115. They formed the direction?—Yes.

4116. On

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Mr. WATSON.

[Continued.]

4116. On August 17th, Hemmerde, Batten, and Milne voted. "The agreement between the Concessionnaires, the Shareholders, and the Company, and the agreement to be filed with the Registrar of Joint Stock Companies, as to the 85,000 shares to be hereafter allotted to Messrs Watson and Stewart, were ordered to be sealed, and the Company's solicitors were instructed to file the latter agreement." I see that is carried out. On the 19th August, Batten, Hemmerde, and Milne, being the directors. "It having been reported that the contract as to the allotment of 85,000 fully paid up shares had been duly registered with the Registrar of Joint Stock Companies, it was resolved that the 85,000 shares directed by the contract to be allotted as fully paid up shares to William Clarence Watson and John Stewart, be so allotted as follows:" I find from this list you have put in before me, that on October 3rd, you gave Hemmerde 1,000 shares, which at 10 l. per share, would be worth 10,000 l.—Yes.

4117. What did you give those shares to Hemmerde for?—He was an old friend of mine, and I gave them to him (I hoped they would be worth 10,000 l.) for many services he had rendered me for 20 years previously.

4118. Here is a man who is a director, who votes these shares to you, and within a few weeks you give him what may be worth 10,000 l. Do you suggest to the Committee that that gift had nothing whatever to do with what he had been doing as a director?—Nothing whatever.

4119. Why not?—It had not.

4120. Why not? Why, if he had been an old friend who had worked hard for you and who did this for you, why did not that form part of the consideration for the gift of 10,000 l.?—It had nothing whatever to do with it.

4121. Have you given to any other old friend 10,000 l. worth of shares?—I have given a good many of my shares away.

4122. Have you given any other old friend 10,000 l. worth besides this director? You see he ceased to be a director about this time?—He was ill; that is the reason he left; and he has since been so ill that he has had to give up business.

4123. He voted these shares to you; and then you give him these 10,000 l. worth of shares. Did you buy any back from him?—No.

4124. You took the 100 qualifying shares back, did you not?—He returned them to me.

4125. I suppose he did not pay for those?—He holds his shares still.

4126. Since he got them they have been at a price at which he could have sold so as to make 12,000 l., have they not?—He has not sold them.

4127. Could he not have made 12,000 l. by your gift?—He might.

4128. That disposes of that director. We have heard a great deal of a Mr. Hughes. What is his name? T. W. H. Hughes, I see it is?—Yes.

4129. Had you known him before?—Not before the formation of the Company.

4130. Did you have any communication with him about any subject except the Company?—No.

4131. We hear that he was an official of the Indian Government?—Yes.

4132. Lent to the Company?—Yes.

4133. Paid by whom?—By the Company.

4134. Was he to make reports to the Company here of what was going on in India?—No; he was to superintend the Geological Department of the Company in India.

4135. And to report to the Company here?—And to report to the Company here.

4136. Which he did?—Which he did from time to time.

4137. Which, of course, guided you, and the shareholders who wished to be guided if you published it, as to the state of the Company?—Yes; we believe thoroughly in his reports.

4138. On 9th May is entered here, sold to T. W. H. Hughes 200 shares upon which 5 l. per share is paid. They would be taking them at the par price, worth 1,000 l., and 200 shares, which are fully paid up shares?—Yes.

4139. You transfer the 290 fully paid-up shares and the 200 5 l. paid for 1,000 l.?—I sold him the lot for 1,000 l.

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4140. One

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Mr. WATSON.

[Continued.]

4140. One moment; is that the market price in May 1887. We have your other transactions on the same day almost?—No.

4141. What was the market price of the fully paid-up shares at that time?—May 1887?

4142. Yes. I give you a corresponding date?—About 11 £, I should think.

4143. Then you sold the 200 shares 5 £. paid for 1,000 £.?—Yes.

4144. What would be a fair sale on the market?—I sold him—

4145. Just attend to me, please. If you sold 200 shares 5 £. paid at 1,000 £., that would be about a fair price in the market?—Yes; a little under it.

4146. That is what you did get. You got 1,000 £. for 200 5 £. paid shares?—No; I got 1,000 £. for 200 5 £. paid shares and 200 10 £. fully paid shares.

4147. I am aware of it; I am reading from the transfer. Why did you let him have them at that price; of course at the market price, the 200 shares, fully paid up, were worth 2,200 £.; those and the 200 5 £. shares paid (taking them at 1,000 £.) would be worth 3,200 £.?—Yes.

4148. Then why did you let Hughes have them for 1,000 £.?—To give him an interest in the Company.

4149. He was the man who was to make the Reports?—He could not, without an interest in the Company, he expected to work the business so well.

4150. Did you wish him to keep those share?—I did not care what he did with them.

4151. How would he have an interest in the Company, if, after he got his shares, he sold them?—He did keep them for some time.

4152. But you bought them back on July 4th, did you not. I find from an entry here, under date, July 4th, that Hughes transfers to you?—Yes, I sold—

4153. Will you attend, Sir, please. Hughes transfers to you, 200 shares you sold to him on July 4th for 2,390 £.?—I had sold them for him in the market. He was in India, and they were transferred to one.

4154. For what he gave you, 1,000 £., he got 2,390 £., that is for the fully paid-up shares; and he keeps the 200 5 £. shares?—I believe that was so.

4155. Was not that a gift to a gentleman whom you were borrowing from the Government to make the reports?—Yes.

4156. Did you think that quite a right transaction?—It was not to make reports that I gave him that interest in the Company; but that he might work, and to throw his whole energies into it.

4157. You bought them back on July 4, what interest did he get in the company by getting 2,390 £. from you?—He wanted money, I suppose, and sold his shares.

4158. Then he did not retain his interest in the Company?—After that he ceased.

4159. Then how did you carry out your object for which you gave him these shares worth 3,200 £., and then buying them back. How did you effect your object of giving him an interest in the Company?—By giving him shares or selling shares to him cheap.

4160. It is put now that you bought them back for 2,390 £.?—Not me, personally. I sold them for him in the market.

4161. Transferred them in the market, if you like; how did that give him any interest in the Company?—At that time, no doubt, he had no interest. Whether he intended to buy them back or not I do not know.

4162. Have the reports of this Government official, Mr. Hughes, been published?—Some of them.

4163. Published to the public?—Sent to the shareholders.

4164. After he had received this gift from you?—I cannot call it a gift.

4165. What do you call it?—I sold him the shares cheap.

4166. You knew at that time you let this gentleman have shares worth 3,200 £. at the market price, if you like, for 1,000 £. Which did you regard; the 2,000 £. excess as —. Did you regard it as a gift?—Scarcely that, if he paid his money for them.

4167. What was it?—A bonus to him, if you like.

4168. You

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Mr. WATSON.

[Continued.]

4168. You say it was a bonus, and not a gift?—It is really selling 400 shares for 1,000 £.

4169. That is 2,000 £. less than the market value?—Yes.

4170. If he chose to go into the market that day he could make 2,000 £. by what you had done?—Yes, but I never gave him them that he might send in reports which were not perfectly truthful; nor do I think he would have done so.

4171. Why should not Mr. Hughes have sent perfectly truthful reports without this bonus of 2,000 £.?—So he would.

4172. Why did you give it to him?—To give him an interest in the work out here.

4173. For what purpose?—From a kindly feeling. I always do it in my business. He was doing the hard work in the Jungle, and surely he ought to have an interest in the affairs.

4174. Still he was being paid, was he not?—Yes; still I like to give a bonus in an important matter. I always do in my business.

4175. You gave Mr. Furnivall some shares, did you not?—I gave him 500 shares for nothing.

4176. Did you buy them back?—No.

4177. Has he sold them?—He has sold them since.

4178. How much did he get for them?—I forget now.

4179. Was it 11 £. a share?—Possibly.

4180. He has been making reports after receiving 5,503 £. as a gift or bonus from you?—Yes, and the reports he has made, I believe, are perfectly true.

4181. That is a matter we may draw an inference from; that is a fact?—Yes.

4182. So Mr. Nemmerde, your director, who voted you these shares, has had 11,000 £.?—One thousand shares.

4183. At 11 £. a share?—Yes.

4184. Mr. Hughes, who, as reported, has had this 2,300 £., or 1,390 £. rather, and the 200 5 £. paid, which will be 2,390 £., and Mr. Furnivall has had 5,500 £.?—Yes.

4185. Now, there is one other person, Lowinsky; you only give him 50, I think?—Yes.

4186. Has he been reporting too?—He has reported as far as he has got.

4187. He has had only 500 £.?—Fifty shares.

4188. He has had them?—I always like to interest every one intrinsically in the business as far as I can. I had no idea that those gentlemen would sell their shares when I gave them to them.

4189. When you caused them to be sold in July, you know that they had sold them?—I knew they had sold them; but at the time I gave them to them I did not know that they would sell them.

4190. Mr. Labouchere.] There is only one question I want to ask you: what is the salary of Mr. Lowinski?—The first year he was simply paid his expenses, I think; and at the present moment I cannot tell you what it is. The Company may be able to tell you, but I forget.

4191. About?—I cannot tell you exactly.

4192. It is a very large salary, is it not?—I daresay it is a fairish one; I cannot recollect.

4193. Is it 3,000 £. a year?—No; I do not think so.

4194. £. 2,000?—I do not think so. I cannot tell you.

4195. You said just now that when you gave Mr. Hemmerde 1,000 shares, you thought that they might be worth 10,000 £.?—Yes; I hoped they would.

4196. You did not consider them worth it then?—I did not know what they might be worth.

4197. You gave them to him or transferred them to him on the 5th October?—Yes.

4198. And I find on the 7th or 27th of September, a month previously, you had sold 1,000 shares to Mr. Allhusen?—Yes.

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4199. And

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Mr. WATSON.

[Continued.]

4199. And you said in your evidence he had paid you 9% a share?—Quite true.

4200. So that you knew that, at the least, these shares were worth 9,000 £?—I hoped so,

4201. You *knew* it?—Well, I do not know whether he could have sold so many.

4202. Mr. *Bristowe*.] A great deal has been said to-day about the way in which you were to be remunerated for the concession. I should like to ask you, as one accustomed to Companies, whether there was not open to you another way to be paid besides taking these shares, and a way that is not unusual, I believe, in Companies; that is by taking a share of the profits when earned?—I might have done that.

4203. I mention this because so many people have asked in what way you were to be remunerated. I know it is a custom in Companies to be remunerated in accordance with the profits of the Company?—But that would not have been a realisable security.

4204. No, it would not have been a realisable security; but it would have secured to you as much as you would have been entitled to take; a share of that profit when earned, and you could have been remunerated in that way. That is the only point I wish to ask you?—In many ways I might. I might have issued only 150,000 £ 1% shares; and they might have gone to 10% each. There are many ways.

4205. What I want to point out is that there was one other way of being remunerated: taking a share in the profits when earned. Nor is it unusual?—That would have had to be represented by shares of some kind.

4206. No, I think not?—I have never heard of anything like that.

4207. I think it is a very common thing?—

Mr. JOHN G. CORDERY, re-called; and further Examined.

4208. *Chairman*.] You have intimated to the Committee that you desire to make a correction in your evidence?—Yes.

4209. What is it please?—It relates to this question which led to those two letters which were referred to on Friday, and which I did not recollect the existence of.

4210. What is it you wish now to state?—The correspondence which led to their being brought before me was that which was by Sir John Strachey. When I received that, I wrote to the Nawab, Sir Salar Jung, asking for his explanation. That was in February 1885. I may mention that I only saw this correspondence on Saturday night, it was not received in England until Friday night, so I had no opportunity of refreshing my memory before. This letter was forwarded by Sir Salar Jung in reply to my application for his account of the matter. The first letter of 1881, the letter which was shown to me as coming from the elder Sir Salar Jung to Sirdar Diler Jung, that is the first letter in 1881. Then I replied to that, I acknowledged its receipt, and said I was taking the papers up to Calcutta. I went up to Calcutta, and when there I received from my first assistant resident Sirdar Diler Jung's account of the whole matter to Nawab Sir Salar Jung. With that account of it was enclosed another copy of the letter of 1881, and also a copy of the letter of 1882, which stated that he might accept what remuneration he could get.

4211. The Committee understand. You did say you had not seen those letters; you had seen them?—I had seen them.

4212. In addition to the vernacular?—In addition to the vernacular.

4213. That is what it is?—That is it.

4214. The Committee understand the corrections, if that is what you wish to correct?—

4215. Mr. *Labouchere*.] You alluded just now to a document of Abdul Huk's, giving his statement to Sir Salar Jung?—Yes.

4216. Are you aware that Salar Jung sent a letter to Sir Stewart Bayley, of

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Mr. CORDERY.

[Continued.]

24th February, enclosing a draft of a letter to you, in which he says, "I also enclose draft of a letter I had prepared, which was not sent to Mr Cordery. I explained to him personally the reasons which induced me not to send this letter; but it will serve to put you in possession of the facts of the case." Are you aware of that?—No.

4217. Did you never see the letter?—I talked over the matter with Sir Stewart Bayley.

4218. Did he never show you this letter?—I think Sir Stewart Bayley may have mentioned receiving a letter about it, and have given it me in conversation; but I do not remember seeing it before.

4219. You knew that he had written?—Yes; I knew that he had written.

4220. Did you know the tenour of the letter?—No, I cannot say I did.

4221. Did he ever explain to you why it was not sent to you, but that it was sent to Sir Stewart Bayley?—No.

Mr. *Cripps*.] Might I ask leave to put one question to Mr. Cordery? The second letter, you say, in 1882, was dated the 5th January?

Chairman.] Whom do you represent, please?

Mr. *Cripps*.] Mr. Watson; the concessionnaires.

Chairman.] What is the question you wish to put?

Mr. *Cripps*.] The question is whether the second letter of Sir Salar Jung of 1882, which Mr. Cordery said he saw in England, was the letter of the 5th January; merely to identify the date.

Witness.] Yes, it was.

4222. *Chairman*.] The one is December 1881, the other is January 1882?—Yes; and the next is 1st January 1883, the third one.

Mr. *Inverarity*.] Would the Committee ask this question. I appear on behalf of Abdul Huk. I understand from Mr. Cordery that that letter which was sent to him in February 1885, by Sir Salar Jung, which contains a copy of those letters, were seen by him on Saturday last in the India Office. I should ask the Committee to send for the original letter, which I understand Mr. Cordery to say has been sent to England.

Chairman.] No, I did not understand that. They were copies I understand.

Witness.] They were copies, one printed copy.

Chairman.] It does not carry it much further; they were probably sent from India by Abdul Huk.

Mr. *Inverarity*.] I understand it is a letter sent by Sir Salar Jung.

4223. *Chairman* (to the *Witness*).] What is it you saw?—It is a semi-official correspondence which came from the Government of India to the Secretary of State.

4224. You do not know, I presume, who furnished the Government of India with the copies of the two letters?—No.

Mr. *Inverarity*.] I understand the copy sent Mr. Cordery in February 1885 is the copy sent to this country.

Chairman.] It is a copy. We have got the original letters here.

Mr. *Inverarity*.] I do not think you have the original letter, the letter of February 1885, which is, I think, the one Mr. Cordery alludes to.

4225. *Chairman*.] We have the two enclosures of December 1881 and January 1885. (To the *Witness*.) Have you seen any original letter to you enclosing these two, the letter of 1885, is that at the India Office; I presume it would not be?—No.

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SIR THEODORE HOPE, sworn; and Examined.

4226. Sir *Richard Temple*.] You are a Public Works Member of the Government of India, at least you were, were you not?—I was a Member of the Council of the Governor General of India for Public Works purposes.

4227. You were a member of the Government when the correspondence with regard to the mining concession came before it?—I was a member of the Government when some of the correspondence came before it. I was not a member of the Government in 1881, when the first papers of the mining concession came up.

4228. When the concession, as finally arranged, was submitted to the Government of India, you were a member, were you not?—I was.

4229. Would you state in the briefest terms what was your understanding of the intention of that agreement; just the briefest summary?—The intention of the agreement was, in the first place, to insure sufficient capital being provided for the thoroughly efficient working of the Singareni mines (which were what I may call a certainty), and, as far as possible, to provide no more capital than was necessary fully to carry out that object, and to do a reasonable amount of prospecting for the other purposes of the concession of the other mines; and further, the object of the agreement was to provide that capital should be forthcoming in a regular way to carry out any of the other undertakings which the concession contemplated and provided for, if the prospecting should show it was practicable to do so. I do not know whether that meets your question, or that I have anything further to say.

4230. Are you aware generally of what has happened in London in reference to the proceedings of Mr. Watson?—Very generally. I have only been about a month in London since I came from India, and I have during that time paid no particular attention to this matter until last Thursday night I received an intimation that the Committee desired to examine me. Since then I have been looking at and skimming through such papers I could get hold of.

4231. Are you aware that the Company's shares were 100,000, that out of these 100,000, 85,000 had been assigned to Mr. Watson and his associates, that a large portion of them have been sold in the London Market, and that 550,000 £. had been realised by Mr. Watson and his associates; are you aware generally of those facts?—I am aware of some of them. I am so far aware that, I believe the Company was brought out with a capital of 1,000,000 £., with power to increase, and that out of that, 150,000 £. were appropriated to what I may call the primary purposes in cash as contemplated in the agreement, and that the concessionnaires, so to say, received 850,000 worth of shares (the remainder in fact of the million) as their price for the concession. I do not know if I state it correctly to you. I do not know how much they have sold their shares for. I do not know anything about the 550,000 £. Substantially I would say, "Yes," to your question.

4232. You say, "Substantially, I answer the question in the affirmative?"—Yes.

4233. Now I ask you this: According to your knowledge and belief, are these transactions in accordance with the intention of the Government in India when they sanctioned this concession, contract, or agreement?—The transaction regarding 850,000 £., do I understand you to mean?

4234. Yes; the transaction which I have just described and which you have described. Quite understand me; I ask according to your knowledge and belief, are these transactions in accordance with the intention of the Government of India when they sanctioned the concession agreement?—I believe that so much of the transaction as relates to the 150,000 £., is in accordance with the intention of the agreement which is referred to in those papers, and that the transactions relating to the 850,000 £. are, I might say, not in accordance with that intention, or what was in contemplation.

4235. When you were a member of the Government of India, had they any idea such a transaction would arise?—As regards the transaction as a whole certainly

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Sir T. HOPE.

[Continued.]

certainly not. The Government of India, doubtless, contemplated that the concessionnaires, having received the concession, would receive something for it in some form or other when they raised the capital of the Company.

4236. Had the Government of India any idea that the remuneration would take any such form as this which has been just described?—Certainly not.

4237. So far as you know, certainly not?—Certainly not. I believe, as a member of the Government of India, that the Government did not contemplate any such.

4238. The remuneration taking this form. That is the question I ask?—Taking the form?

4239. Taking the form it has?—Yes; as a whole certainly they did not contemplate it.

4240. If they had foreseen that anything of the sort would happen, would they have taken precautions to prevent its happening?—

4241. *Chairman*.] Sir Richard Temple means this, I think, if he will allow me to interpose: Having now your knowledge as to the view the Government entertained as to the substance of the matter contemplated then, do you think, if their attention had been called to the exact wording of the contract, they would have allowed this 850,000 £. to have passed over to the concessionnaires?—I should suppose, if I rightly understand your question, that if it had been pointed out to them that the wording of the contract was such as to admit of a transaction of this kind taking place, they would probably have pointed this out to the Nizam's Government, and have suggested that the Nizam's legal advisers, who were responsible for drafting the contract, should look to that point.

4242. That is your view?—I think so; and that they should take proper precautions that it should not happen.

4243. Sir *Richard Temple*.] Or in other words, had they foreseen that the wording of the contract would have covered or permitted any transaction of the kind, they would have altered the wording, or caused the wording to be amended?—If I may call it so, they would have pointed out that there was "a hole" in the contract, which those who were legally responsible for it had better take care to stop up, if they could. That is what I mean. That is in answer to the Right honourable Chairman. I have not quite answered your question, Sir Richard.

4244. No. I would like to ask this question: Putting aside the legal construction and legal considerations, do you as a plain man of business believe that the wording of this contract, or that the terms of this contract, really leave a door open for such transactions as those which have been described?—I do not quite see how I can put aside the legal construction of it, if I rightly understand you.

Adjourned for a short time.

Chairman.] Mr. Mayne, the Committee wish to know from you whether there is any witness you wish to call. We do not understand you have sent in the name of any witness.

Mr. *Mayne*.] No others, Sir.

Chairman.] You have no document to put before the Committee?

Mr. *Mayne*.] I do not understand whether the whole of this Parliamentary Paper of Mr. M'Lagan's Return is before the Committee, and to which the Committee have been referring all along.

Chairman.] That is all before us. That belongs to the House. We have that.

Mr. *Mayne*.] Then, Sir, I wish to re-call Mahdi Ali, who is here present, to ask him two questions. First of all as to a mistake made on the former day as to the authorship of the Memorandum upon which Sir Salar Jung's pencil Memorandum was endorsed of January 1883.

Chairman.] What mistake are you speaking of.

Mr. *Mayne*.] In the question it appears, I put it by mistake.

Chairman.] You can correct that.

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[Continued.]

Mr. *Mayne*.] I put it as if the statement was by Mahdi Ali.

Chairman.] I have arranged with the Clerk that an opportunity will be given to correct any mistake. What else have you to say?

Mr. *Mayne*.] The Committee have been asking about the date of the Yellow Book. I think it would be satisfactory to ask Mahdi Ali about that.

Chairman.] You mean the budget?

Mr. *Pember*.] The "Fasli."

Chairman.] The "Fasli"?

Mr. *Mayne*.] Yes.

Chairman.] Will you ask, through the Interpreter, what he says is the date of this; it is Fasli 1297.

NAWAB MAHDI ALI, re-called; and further Examined.

Chairman (to Mr. *Mayne*).] You can ask him what he says is the date of the publication of that.

Witness.] The end of March.

4245. What year?—1888.

Sir *Richard Temple* (after talking with the Witness in *Hindu*).] He says that in March 1888 this paper was placed before the Minister, who gave an order for its being printed. He says that this was placed before the Minister, who then, in reply, asked why it was printed without his leave. That is word for word what he says.

Chairman.] It was printed in March 1888; that is the reply.

Mr. *Mayne*.] Then, Sir, that document Mr. Watson was asked to produce (of which we showed him a copy), of the 27th December 1883, the Agreement between the Nizam's Government and himself with regard to the railroad, I now produce.

Chairman.] Very well, will you hand that in. *The Agreement was handed in.* "Articles of Agreement, made and entered into this twenty-seventh day of December One thousand eight hundred and eighty-three, between His Highness the Nizam's Guaranteed State Railways Company, Limited, (herewith called the Company), of the first part, the Government of His Highness the Nizam, Ul Mulk Asaph Jah Bahadur, Sovereign of the Hyderabad State (herewith called "the Government"), by its duly accredited representative, the Sirdar Diler Jung Bahadur, C.I.E., now temporarily residing in London, of the second part, and William Clarence Watson, of 7, Great Winchester-street, in the City of London, Merchant, of the third part; whereas the Company was duly registered on the Twenty-fourth December One thousand eight hundred and eighty-three. And whereas the said William Clarence Watson; with the approval of the representative of the Government, has been engaged for a long period in endeavouring to procure the formation of the Company, and in obtaining as required by the Government before the registration of the Company; a guarantee of the subscription of one million five hundred thousand pounds of the share capital of the Company, and he has also rendered valuable services in and about the conduct of the negotiations for the concessions now agreed to be granted to the Company by the Government, and has paid divers sums of money, and incurred large expenses and liabilities in and about the matters aforesaid: And whereas the said William Clarence Watson has obtained agreements satisfactory to the Government and the Company, guaranteeing the subscription of the said share

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share capital, and has made arrangements for the issue thereof, and in order that the total cost of, and incidental to the formation and incorporation of the Company and the preparation and execution of the agreement between the Government and the Company of even date herewith, with respect to the undertaking of the Company and of the subscription and issue of its said share capital should be limited and defined, the Company has agreed to enter into the arrangement hereinafter contained, and the said Sirdar taking in consideration the sum of 100,000 £. hereinafter mentioned, is within the terms authorised by the instructions of the Government, has consented to give such sanction as is hereafter expressed. It is hereby (with the sanction of the Government, testified by the signature hereunder written of the Sirdar Diler Jung Bahadur, its accredited representative) agreed between the Company and the said William Clarence as follows (that is to say): That in consideration of the premises, 1. The Company shall pay to the said William Clarence Watson the sum of 100,000 £. out of the first moneys received by the Company from the public issue of the shares of the Company, after allotment of the said 1,500,000 £. share capital, in full compensation for the services rendered, and the expenses and liabilities incurred by him as aforesaid. 2. The said William Clarence Watson shall out of the said sum forthwith after receipt thereof pay and discharge all expenses and liabilities incurred by or on behalf of the Company for commissions, brokerages, or otherwise in and about the formation and registration of the Company and procuring the guarantee of its said share capital and the subscription and issue thereof or otherwise howsoever up to the allotment of the said share capital of one million five hundred thousand pounds, including all legal expenses, and printing and advertising to the said date, and as to any balance that may remain, the said William Clarence Watson shall retain the same in full satisfaction of all claims by him for remuneration for his said services. 3. The said William Clarence Watson shall in consideration of the payment to him of the said sum of one hundred thousand pounds hold and keep harmless and indemnified the Company of, from, and against all claims and demand whatsoever for or in respect of the expenses, liabilities, and matters aforesaid up to the allotment of the said share capital of one million five hundred thousand pounds, but not further or otherwise. 4. The said William Clarence Watson hereby acknowledges that he has no claim on the Government." (To Mr. *Littler*.) You appear for Mr. Watson?

Mr. *Littler*.] I appear for Mr. Watson.

Chairman.] The Committee wish to know what witnesses you desire to call.

Mr. *Littler*.] I wish to call Mr. Morgans, the engineer. Then I have taken the instructions of the Committee, and taken one of each class. Mr. Morgans first, and then Mr. William Morriss, and then Mr. Bishop.

Chairman.] What is Mr. Morgans to prove?

Mr. *Littler*.] Mr. Morgans is to prove that he has carefully examined all the sources.

Chairman.] Has he been to Hyderabad.

Mr. *Littler*.] He is a member of Messrs. Thomas and William Morgans, a firm of consulting and mining engineers in this country. He does not profess that he has ever been out there.

Chairman.] Has he ever been to Hyderabad.

Mr. *Littler*.] No, he has not.

Chairman.] I suppose he has read the reports which are before the Committee. What sources of information has he more than have been placed before us.

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[Continued.]

Mr. Littler.] I expect he would tell you this, Sir: that, as a mining engineer, he has made this question a study, and that he has formed certain conclusions upon the reports, and what in his judgment is the value of the property.

Chairman.] The Committee will not listen to the opinion of experts. We have the reports before us, and we must do our best to form our opinion upon them. If Mr. Morgans has any facts to give us, well and good; but they must be within his own knowledge. We cannot have a gentleman reading his reports.

Mr. Littler.] A gentleman who has not been to Hyderabad can have nothing but what he has read and knows.

Chairman.] I am quite sure that the Committee can deal with it without that.

Mr. Littler.] I am here, Sir, on behalf of a gentleman on whom strong attacks have been made, and part of whose defence is that, that which justifies him in the minds of other engineers justifies in his mind the value which he has put upon the property.

Chairman.] But, Mr. Littler, the Committee have come to the opinion that whether it is a valuable property or not is irrelevant. They would be desirous of your assistance as regards facts; if you could call anyone to give us one single fact bearing upon the point the Committee will gladly hear it; but it will have no effect upon the Committee to be told he has read the reports, and come to certain conclusions.

Mr. Littler.] I should put it in this way: Mr. Morgan has seen these reports, and assuming the reports to be true, which he believes them to be, he will give judgment of what similar properties are worth, and therefore what this property is worth.

Chairman.] I think you know that in the most technical court, if this was an inquiry as to the representations of the value of this property such evidence would not be admissible, still less as regards this Committee, who want assistance in respect to facts. We could not delegate our responsibility to Mr. Morgans.

Mr. Littler.] Then you decide, Sir, to reject the evidence.

Chairman.] In this sense we reject it: that it would not affect the judgment of the Committee; it will therefore be not the slightest use your calling it. You understand distinctly that if Mr. Morgans can give us facts we shall be glad to have them.

Mr. Littler.] If you reject the part that is—

Chairman.] The word "reject" is a very strong term to apply to us. We say it would not affect us in the least. We will read the reports most carefully.

Mr. Littler.] Of course, until you actually hear the evidence, unless you are of opinion that that evidence is absolutely inadmissible, we cannot tell what effect it will have upon your mind; but if you say the Committee do not desire to have it I must bow to your decision.

Chairman.] We do not enter into the question of admissibility or inadmissibility at all. That is not a word that is applicable to our judgment. We only tell you that such evidence would not effect our judgment in the least. We are going to read those reports for ourselves; and whatever Mr. Morgans might say on the reports would not influence us; therefore, the Committee think, in that sense, that it is no use your calling him. We ask for assistance as to facts?

Mr. Littler.] At all events, Sir, if you will allow me, I will just consider whether I will say anything more upon this, and I will call one or two of the others in the meantime.

Chairman.]

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[Continued.]

Chairman.] No, no; that will not do.

Mr. Littler.] Mr. Morris I propose to call first; then I propose to call Mr. Bishop.

Chairman.] What is Mr. Bishop?

Mr. Littler.] Mr. Bishop is a leading stockbroker, and Mr. Morris is a leading jobber. You said I might call one of each. Then I propose to call the Secretary of the Stock Exchange, the author of the book, whom I mentioned before, Mr. Burdett.

Chairman.] You can do that.

Mr. Littler.] Then I propose to prove this "Standard" article.

Chairman.] Yes.

Mr. Littler.] Those, with the exception of Mr. Morgans, are all.

Chairman.] You had better call Mr. Burdett, had not you? He gives the important matter as to the publication of the book.

Mr. Labouchere.] You put in the name of Lord Lawrence; are you not going to call him?

Mr. Pember.] I put in the name of Lord Lawrence.

Mr. Littler.] Lord Lawrence is called on the part of the Company. Now, Sir, I have the formal proof here of the "Standard," and here is the "Standard." I do not know whether you require formal proof of it.

Chairman.] No, no; the Committee will take the copy of it as published. It is only to see the whole of the article.

Mr. Littler.] That is the copy of the "Standard" (handing in the same).

Chairman.] This appears to be a copy of the "Standard" of Monday, December 13th. The effect of it is to place before the public the chief clauses in the concession reciting the agreement between Stewart—

Mr. Littler.] It puts in, Sir, the whole of the agreement whereby the 850,000 l. was transferred to Mr. Watson.

Chairman.] "Whereas by an agreement, dated the 16th day of August, 1886, and made between the said William Clarence Watson and John Stewart, therein and hereinafter called the concessionnaires of the first part the several persons specified in the schedule thereto of the second part, and the Company of the third part, it was agreed that the concessionnaires should assign and transfer to the Company certain rights conceded to the concessionnaires, with reference to the lands, mines, and property situate in the territories of His Highness the Nizam; and that in exchange therefore the Company should allot to the concessionnaires 85,000 shares of 10 l. each in the Company, which shares should be deemed for all purposes to be fully paid up." That sets out the agreement of the 16th August.

Mr. Littler.] Yes, it does.

Chairman.] That is right as to the agreement, but there is no setting out here of the concession.

Mr. Littler.] No; I do not contend that the concession is set out.

Chairman.] I quite understand you.

Mr. Littler.] You will see how it is prefaced; it calls people's attention to it.

Chairman.] Yes, I quite appreciate it. "People have been much puzzled lately by allusions to a Company called the Hyderabad (Deccan) Company. Its shares were said to be going up wonderfully fast, and why no one could discover. Perhaps the following copy of the chief clauses in the

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[Continued.]

original agreement between the Company and the "concessionnaires" may throw light on this point. As I understand your point this was a hostile criticism.

Mr. *Littler*.] This was a hostile criticism, calling the attention of the Stock Exchange and the public as early as 13th December 1886. You have exactly caught my point, Sir.

Mr. *Pember*.] There was one point, Sir, I was suggesting to my learned friend, in supplement of his request that you would allow Mr. Morgans to be called, and it is this: The Company are very much interested in Mr. Morgans' giving you what would be understood in his profession by "fair rent." He can give you what in mining circles is the definition of that.

Chairman.] What document are you referring to as to "fair rent"?

Mr. *Pember*. It is in the concession.

Chairman.] But, surely, as to the words "fair rent," a mining expert is not a person to construe that.

Mr. *Pember*.] Yes, he is; because "fair rent" may mean one thing in one place and another thing in another. "Fair rent" in Ireland would have a peculiar meaning. For instance, this gentlemen would tell you that "fair rent," in mining matters, has a distinct meaning, and a technically distinct meaning, which anybody could understand.

Chairman.] What do you wish to tell us "fair rent" means there?

Mr. *Pember*.] Such a proper royalty as would be what we may call the market royalty, an ordinary royalty, such royalty as, if one person would not give another would be ready to give.

Chairman.] I think we should not require Mr. Morgan's assistance to tell us that.

Mr. *Pember*.] It is very much questioned; at least, by one honourable member of the Committee.

Mr. *Labouchere*.] I should agree with you entirely, if you mean me.

Mr. *Littler*.] I hope you will keep your mind open about Mr. Morgans, Sir.

Chairman.] No, we have heard you about that.

Mr. *Littler*. Then I understand you do not wish Mr. Morgan to be called?

Chairman.] We have stated very explicitly that for the purposes you have told us you wish to call Mr. Morgans, the Committee do not wish to hear Mr. Morgans. The question Mr. Pember has raised is a very different one; and we will consider that when we come to it.

MR. WILLIAM MORRIS, sworn; and Examined by Mr. *Littler*.

4246. How long have you been engaged on the Stock Exchange. I think by the way you are the head of the firm of Morris, Hurst, and Puckle, are you not?—Yes.

4247. How long have you been engaged on the Stock Exchange?—Fifty-three years.

4248. I believe you were the largest dealers, were you not, in Deccan shares?—We were.

Chairman.] Is this gentleman a jobber or a broker.

Witness.] A jobber.

4249. Mr.

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Mr. MORRIS.

[Continued.]

4249. Mr. *Littler*.] In dealing with those shares when did you first know anything about the 850,000 £, as to their being paid-up shares, or whatever they were called?—I cannot give you the date when we knew. We knew it when we began to deal in them. We knew what the Company was, and that 85,000 shares belonged to the concessionaires.

4250. And did not represent cash in any shape?—Not in any way.

Chairman.] What does Mr. Morris say about this.

Mr. *Littler*.] Mr. Morris says from the first moment of dealing with them he knew that the 85,000 shares did not in any way represent cash from his first dealing.

Chairman.] He was told so.

4251. Mr. *Littler*.] What were your means of information?—I cannot tell you that, because my partner did the most of the business. I am not there always.

4252. But you do say that your firm knew perfectly well that the 85,000 shares in no way represented cash?—Yes.

Chairman.] That will not do, please. Mr. Morris must tell us what he knew, and not what other members of his firm knew. Did he see the concession, or did he know of this from what Mr. Watson told him; or is it what he knew; I do not want what his firm knew.

Witness.] I do not think we knew Mr. Watson at the time.

4253. Mr. *Littler*.] How did you get your information?—I think we got our information from Mr. Evans; but I am not quite sure. I did not know Mr. Watson at that time.

4254. At all events, you are quite sure at the beginning of the dealing you had notice of that fact from somebody?—Yes; and it did not surprise us at all.

4255. Did that in any way cause you to cease your dealing?—On the contrary, we were very anxious to deal.

4256. I think you said you said you believed you first got your information about these shares from Mr. Evans?—I think so; but I cannot be sure.

4257. Did you find them go on rising in the market?—Yes; I think they did rise. When we began to deal with them, there was a pretty nearly continuous sale.

4258. You know, I dare say, about these Articles of Association. I want to draw your attention to one paragraph, and then ask you a practical question upon it. In the Articles of Association there is Article 5: "The Company from time to time may, by resolution of a general meeting passed on the previous recommendation of the Board, increase the capital by the issue of new shares of such amount as it shall think expedient." Then the next article gives powers to fix the different classes of shares, preference, privilege, or guarantee shares. Then there is a subsequent one which enables them to raise money on debentures. Does the fact of the Company having issued 850,000 £ of shares as a practical business cripple their operations in the future?—I think not.

4259. Having the powers they have of issuing all these various descriptions of security?—Yes.

4260. Would the fact of those 85,000 shares having been issued in any way prevent your raising money by preference or debenture, which would go over the heads of them?—That entirely depends upon the state of the business at the time. Of course if a thing is a bankrupt concern, it is very difficult to raise more money. If, on the other hand, there is every appearance of the scheme succeeding it is not difficult to raise more money. It is not a hard and fast rule.

4261. That is what I desire you to point out to the Committee. Take the case of this Company; what do you say?—I am not alluding to this Company, but generally.

Chairman.] That is not a question for Mr. Morris.

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[Continued.]

4262. Mr. *Little*.] Very well, Sir, if you think not. (To the *Witness*.) So far as you knew during the whole time was there any fictitious dealing?—None whatever.

4263. All *bond fide* dealing?—All *bond fide* dealing.

4264. Did you ever find any trace in the market of Mr. Watson pressing sales, or making a market, as it is called?—No; I knew that Mr. Watson was selling.

4265. *Chairman*.] And buying?—No; I do not know of his buying at all. I have only heard since I have been heard that he once bought.

4266. Once bought?—I do not know of his buying except 2,000 shares that he had over-sold, or that he had sold without waiting to sell. I have no knowledge of his buying; in fact the public bought them.

4267. Mr. *Little*.] You having been so long a member of the Stock Exchange what do you say to shares which are not officially quoted?—What do I say to them, in what way? Are they dealt in do you mean?

Chairman.] Just repeat that, Mr. *Little*?

4268. Mr. *Little*.] What difference does it make in the matter of shares if they are not officially quoted, if they have not complied with that 131 order or whatever it is on the Stock Exchange which entitles them to an official quotation?—You want to know what difference there is in the dealing, whether they have been quoted or whether they have not?

4269. Yes?—Not the slightest difference; in fact, I suppose at the present moment there is a most gigantic speculation going on, and has been for the last six months, in a company that has not been given a settlement or quotation at all.

4270. Mr. *Labouchere*.] What is its name?—The De Beero Mining Company.

4271. Mr. *Little*.] And there are many large things, and some of them not speculative, which have never been given a settlement or quotation, are there not?—Everything is speculative. A Russian Loan is speculative.

4272. Are you still a large holder of those shares?—I believe we are, but I really cannot tell you.

4273. Is it unusual in mining matters that a large sum in shares is given to promoters?—Is it unusual?

4274. Yes?—No, it is very usual.

Chairman.] That is not a question for this witness.

Mr. *Little*.] As you have a doubt about that, I have still more doubt about the other. I have a very striking illustration here.

Chairman.] No, no. No doubt there are many similar transactions; if we admitted this, we should have to enter into collateral questions to see whether it was a righteous transaction or not; we cannot go into that.

Mr. *Little*.] You will remember this Sir, I am obliged to be pertinaacious, because Mr. Watson's character is unfortunately attacked here; and I have not open to me the ordinary means of defence, which there would be if it were an inquiry in court. Therefore, I am sure you will forgive me if I press upon you every point which I think by any reasonable possibility can be put forward. I suggest it would be material in this way, not that you should inquire into the circumstances, but if you find that it is not an uncommon thing in things which are absolute speculations that large sums in shares should be given, it makes Mr. Watson's conduct not striking, but usual.

Chairman.] Let me put it to you. Was the instance you are about to give us, one where the concessionnaires got the real value for their shares or not?

Mr. *Little*.] No; where the concessionnaires got. I do not know whether I may state it.

Chairman.] You may state what you like.

Mr.

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[Continued.]

Mr. *Little*.] It is a case in which, out of 1,200,000, the concessionnaires got all but 125,000.

Chairman.] Suppose the concessionnaires gave that value, it was a very right transaction, was it not?

Mr. *Little*.] No.

Chairman.] Yes; if the concessionnaires give value for it.

Mr. *Little*.] The only thing they gave was a good concession.

Chairman.] We cannot inquire into that.

Mr. *Little*.] You preclude me by not allowing me to call Mr. Morgans from giving evidence as to what the value of this concession is.

Chairman.] Excuse me; that is not the result of our decision. The result of our decision is that Mr. Morgans cannot throw any light upon this. If he could we would gladly hear him. He has not visited the district, and all he can do is to take the report and express an opinion; and it is not right to say we prevent you calling Mr. Morgans to show what the value of the concession is.

Mr. *Little*.] I should be very sorry to keep up any discussion with you, Sir, in your position in the Chair; but what I want to point out is, that Mr. Morgans has a special knowledge of mining reports and what people earn.

Chairman.] As to mining reports some are true and some are not. We are not going to allow Mr. Morgans to take them in his hand and say, I think they support so-and-so. We will take them in our hands and read them ourselves.

Mr. *Little*.] Mr. Morgans will go on to say, from what I know of the men who make these reports, they are reliable reports.

Chairman.] That is still worse. We could not allow him to do that, and you would not wish us to do it. You would not say, "I know the man who wrote it," and tell a jury they ought to believe it, or tell the Court they ought to believe it.

Mr. *Little*.] This is a totally different case, because if I were before a jury I should have taken the precaution to have examined these witnesses in India, or have brought them here. I cannot do that; I am in the most unfortunate position of having got into an inquiry which must go on from day to day. I have no means of getting information, except second-hand; and I am told that the gentleman I desire to call I must not call, because he has not been out in India.

Chairman.] All I can say is that the Committee do not like second-hand witnesses; you must go on with those you have.

4275. Mr. *Little*.] Very well, Sir. (To the *Witness*.) As you say, it is not unusual on the Stock Exchange for very large sums in founders' shares to be issued for mining speculations?—In founders' shares and free shares; in fact it is always usual.

4276. *Chairman*.] You have stated to the Committee that you are not at all surprised at the concessionnaires obtaining 850,000 £. in shares, taking them at par price?—I did say so.

4277. Have you the slightest knowledge of the value of the concession?—Not the most remote; and that is the very reason I say so. I think I can convince you. If Mr. Watson had offered me a share in this, and said, would you like to put in 50,000, or take a third of it, I should have said no, because, as I understand it, he risked 150,000 £. in a mining venture, and he was to make 700,000 £. profit if it should turn out right—

4278. Mr. *Labouchere*.] No, no; the case was a certainty?—Pardon me; 0.104. K K 3 700,000 £.

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[Continued.]

700,000 £. if it turned out right; supposing it had not turned out right, he would have lost his 150,000 £., and his 85,000 £. shares would not have been worth 5 s.

4279. *Chairman.*] Supposing the Company, as a Company, are getting nothing; supposing there are no diamonds; supposing there is no coal; and they give Mr. Watson 850,000 £. free shares; by your exertions, and others, they get to the public, what will the public get in return for those, assuming there are no diamonds and no gold?—I will tell you. The public are in the habit of buying things they know nothing whatever about. They know nothing about this.

4280. How do you sell them to the public?—We buy and sell to ourselves. The dealers do not know who does buy. We only deal with brokers. We assume they buy for the public.

4281. That is just what I thought. Do not you think that before Mr. Watson was given the 850,000 £. of shares someone ought to have inquired what it was he had given in return for these shares, for the value that he gave?—You say someone ought?

4282. Yes?—I do not know who you mean by "someone."

4283. Let me say someone on the part of the Company?—I know nothing about what a company ought to do.

4284. The Company gave him the shares?—The Company gave him the shares for his concession.

4285. Pardon me, ought not someone, on the part of the Company, to have found out the value of the concession?—I am not in the habit of knowing anything at all about companies; therefore I cannot say.

4286. You are an expert; what do you say to that, Mr. Morris; before the Company gave Mr. Watson 850,000 £. ought not someone to have investigated the value of what they received for that 850,000 £. worth of shares?—Probably somebody connected with the Company; I should assume somebody would have done so.

4287. You would assume that would be a right transaction?—Yes; that somebody connected with the Company would know that it was worth it when you say 850,000 £.

4288. I said nominal shares?—At the time he took it there was no absolute profit at all; it was worth nothing; he had had 85,000 shares given to him which might not have been worth 5 s.

4289. Then somebody on the part of the Company would not have been able to tell what they were giving even?—No; he did not know himself what he was getting.

4290. They knew if they sold at 10 £. par it would be 850,000 £.; if at 12 £., it would 1,000,000 £.?—Quite so; but suppose they sold at 5 s.?

4291. Do not you think someone ought to have investigated what was the value of the concession representing what the shares represented?—I suppose the directors; I should assume that.

4292. You assume the directors would?—As I say, I do not know much about these sort of things; it is not my business; but I should assume the directors would.

4293. As a matter of duty. Who introduced these shares to you as a matter of business?—I think, as a matter of business, we had brokers come into the market to know if there was any price for Deccan shares. This, I must tell you, I do not know as an absolute certainty; but I am perfectly sure it is right, because this is what always happens.

4294. Just keep to this; if your partner knew?—Yes, we will put it so. The broker comes on the market and asks if there is any price for Deccan shares. "We have no shares now. What do you want to do." A man will say probably he wants to deal, but he does not then say whether he wants to buy or sell. Well, somebody else will come and ask the same question. Then, when we find there are two or more who want to deal we ask them whether they want to buy or sell; then we go from one to the other. That is the way the market is started.

4295. I understand you give them a price, do not you?—No; we do not give them

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Mr. MORRIS.

[Continued.]

them a price, because we do not know what the price is. It depends upon what a man is willing to give. We will assume, for the sake of argument, I do not know what the market is, can I get them at 10 £. a share?

4296. I understand that now. Did some brokers come to you and ask if you were dealing?—Yes.

4297. When you found they were wanting them did you go to any one to get shares?—No, I do not think we did. I am not sure whether my partner went to Mr. Evans or whether Mr. Evans went to him.

4298. It was from Evans you got these shares?—We bought them of Mr. Evans.

4299. How many shares did you get from Mr. Evans, do you know?—No.

4300. Your books show all those, do not they?—Oh, yes; but we have had no notice to produce the books; but I think you may take it that I should think pretty nearly all of them.

4301. How many would that represent?—Some thousands of shares.

4302. A great many thousand shares?—Yes.

4303. Sixty thousand or 70,000?—I do not know whether there have been as many sold; but I should say about three-fourths or four-fifths of all Mr. Watson and his friends sold came through us.

4304. I should like to know through you whether there were 50,000 or 60,000 shares?—It is impossible for me to say yes; at the same time, other gentlemen may say, We hold so many. I do not know how many Mr. Watson holds; but I think you may take it that the bulk of the shares that he sold were sold through me.

4305. You would sell to the broker to distribute to the public, probably?—Yes.

4306. Would you mind telling, is it any secret, what you made by the transaction?—On the whole bulk?

4307. Yes?—I could not tell you that at all.

4308. What was it?—I make as much as ever I can.

4309. That is an indefinite quantity which we should like to resolve into a certainty; will you assist us?—It is my business to make as much as ever I can.

4310. Naturally; but would you tell the Committee how much you made by this transaction?—On the whole of the dealing?

4311. Yes; some thousands of pounds?—I give you my word of honour I cannot tell you at all.

4312. Very nearly, can you not?—I should like to give 10,000 £. to have it over again, that will give you the best idea.

4313. I infer from that transaction it was a little more than 10,000 £.?—Well I will not say; I should like to be very cautious, you know, say 10,000 £.

4314. I see down here is one transaction, Anderson and Co., 27,090 shares on one date representing 330,000 £. was that transacted through you?—Yes.

4315. What are Messrs. Anderson?—Stock brokers.

4316. They, I suppose, were going to distribute to the public?—I do not know that all the shares were to distribute to the public.

4317. Had you any communication with Mr. Watson at all, or did you only see Evans?—As a matter of fact I did not see him myself; but my partner did, because I always leave in June, and June was the time I believe when this business was done; but Mr. Evans used to be the gentleman who communicated with my partner.

4318. Of course, as you wanted these shares, Evans would get them, as he told us, from the concessionnaires, from Watson?—Quite so.

4319. Did you say you did not know of Mr. Watson buying and selling?—No; I did not say that; I said I did not know of his buying.

4320. I think I am right too; you are partly right, and I am partly right. You did not know that he bought and sold; you only knew that he was selling?—I only knew that he was selling, with the exception of 2,000 shares he had sold and bought back again.

4321. Were you aware of a transaction of his on May 4th and May 7th, that

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he was buying from Ellis and Co. and Davis and Moore; do you know those names, Ellis and Co.?—Perfectly well.

4322. And Davis and Moore?—Davis and Moore?

4323. Yes?—I do not know Davis and Moore; I daresay they may be there. I may tell you there are 2,200 members, and it is not to be expected that I know a quarter of them.

4324. I find on May 4th, "Bought from Ellis and Co. 1,995 shares, at 11 l. 6 s. 3 d. per share;" and that on May 12th he sold, per Ellis and Co., 1,000 shares, at 10 l. 10 s. per share?—Yes; that is very likely.

4325. Does that look to you like keeping up the market or not?—On the contrary, what did you say, 11 l. something?

4326. He bought them at a high price; he buys high; he buys at 11 l. 6 s. 3 d., 11 l. 17 s., and some at 11 l. 18 s. 6 d. He has those in his possession; what does he buy them for, do you know?—I do not know at all. Was it those 2,000 that I am alluding to?

4327. They represent in number?—In round numbers, 2,000.

4328. Ellis and Co., 1,995; and Mr. Strachan and Godfrey, 925?—Then probably he bought the other 1,000 through somebody else. I think that must be the 2,000; it is 1,900, you say.

4329. Yes, this is 2,000 and 900?—I beg your pardon, I thought you said the sale was 900.

4330. No; the sale is this: We bought of Ellis on May 4 and May 7, 1995 and 925, at these prices that I have given you: 11 l. 6 s. 3 d., 11 l. 17 s. and 11 l. 18 s. 6 d. That is a high price to give, is it not?—Yes.

4331. Can you suggest, with the number of shares in his possession on May 7, what he was buying those shares for, except do keep up the market?—As I have told you I have no knowledge at all of his doing that, and I cannot say that we ever saw the slightest symptoms of it.

4332. I have here the list handed in by Mr. Watson (*reading from same*): here are purchases of between 5,000 and 6,000 shares?—It is quite possible that any man who holds a large amount of stock in anything, if he thought that the market fell unduly, or if there was a panic of some sort, and the shares fell, it is very likely indeed, we should do so ourselves, buy a great deal of it back again.

4333. To keep the market up?—You can hardly put it in that way; I will not say to keep the market up; we would buy them back expecting the market to rise, and to make a profit by selling them out again. That sort of thing is done every day.

4334. That would no doubt be a speculation; but the tendency would be to strengthen the market by having buyers?—It would strengthen the market naturally. The more you buy the better the market, and *vice versa* if you sell.

4335. Mr. Slagg.] I think you said your purchases were always from brokers, did you not?—We deal only with brokers.

4336. You do not know then whether these shares were bought for speculation or for investment?—It is quite impossible; we never know that.

4337. Sir Richard Temple.] Did I understand you to say that the issue of 85,000 shares by the Company would not cripple their future operations?—I do not think I said that, that I would not cripple their operations; but let us assume that I did say that.

4338. I think you did. I took the words down. My question is: How can you say that when the issue of those 85,000 shares would involve a liability for interest or dividend of many thousands of pounds annually?—There is no doubt if the thing was very successful, those who were the holders of the 150,000 l. could not get so much, because part of the dividend must be divided over the 85,000 shares. You are quite right there.

4339. Does not the liability for such a dividend seriously cripple the operations of the Company?—Not the operations, I think; it would cripple the dividend that would be received by the holders of the 150,000 l. of shares.

4340. If the operations are *bona fide*, that is to say, if they are *bona fide* for the

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the working of the mines, then the liability to this dividend would cripple the operations, would it not?—I do not think so.

4341. Mr. Labouchere.] It would make it more difficult to raise more share capital, surely?—They do not propose to raise more share capital; they would raise money on debentures.

4342. Sir Richard Temple.] Is not this liability a millstone round the neck of a Company?—There is no doubt, if the capital of a Company is only 50,000 l. or 150,000 l., instead of a million, it stands to reason that you are much likelier to get a larger dividend.

4343. But, if you raise preference capital for future operations, you shut out these shareholders from receiving a dividend?—And the 85,000 shares also.

4344. These shares?—I beg your pardon, I thought you said these shareholders.

4345. Yes, the shareholders of those 85,000 shares?—Yes, quite so.

4346. If you raise preference capital for future operations, do not you shut out the holders of those 85,000 shares from dividend?—Undoubtedly you do.

4347. Chairman.] Or if they issue debentures?—It is the same thing.

4348. Mr. Littler.] You know what is called "Burdett's Official Manual"?—Yes.

4349. That is a well-known authority on the Stock Exchange we know; but in addition to that, can it be bought in shops?—That I do not know at all; I should think so.

Chairman.] It speaks for itself.

Mr. Labouchere.] Do you know how much it costs?

Mr. Littler.] I have noticed it out on one or two club tables since this began. I did not know that it was there before.

4350. Mr. Labouchere (to the Witness).] Do you know how much it costs?—Not at all.

Chairman.] One of the members of the Committee says that it can be bought.

Mr. Littler.] Yes; I believe almost every solicitor has it.

Chairman.] I do not know how people do buy it.

4351. Sir Richard Temple (to the Witness).] Do you refer to it yourself; do you see it yourself?—Oh, yes; I think every dealer and every broker has one of those in his office.

4352. Mr. Littler.] And relies on the information he gets in it?—Undoubtedly; everything.

Mr. Littler.] Then there is one other question, Sir, I could have asked Mr. Burdett, if he had been here. Do you know whether, before the book comes out, all the information Mr. Burdett has is accessible to everybody?

Chairman.] He has said he does not know that.

The Witness.] I do not know at all.

Mr. Littler.] Then I will not ask you.

MR. WILLIAM HENRY BISHOP, sworn; Examined by Mr. Littler.

4353. You are a stockbroker?—I am.

4354. How long have you been on the Stock Exchange?—Since 1850.

4355. Chairman.] How long?—Thirty-eight years.

4356. Sir Richard Temple.] As a broker?—As a broker and dealer. As broker since 1865 or 1866.

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4357. Does "dealer" include the word jobber?—Yes, I have been a broker since 1865.

4358. Mr. *Littler*.] In the autumn of 1886, you had had, I think, mentioned to you (I do not want more than that), this mining venture, had you not?—Previously.

4359. You had had your attention called to it?—Yes.

4360. Do you remember after your return from your holiday, seeing a memorandum (a memorandum which the Committee have had before them), stating various facts with regard to the undertaking?—Yes.

4361. I think at that time you did not trouble yourself to inquire about it, did you, immediately after that?—Well, I ascertained to the best of my ability what the character of the undertaking was.

4362. Did you purchase any shares in that autumn?—I do not think so; I think the whole of the shares which I purchased were those I took from Mr. Watson.

4363. I mean, did you get some from Mr. Watson?—Yes.

4364. *Chairman*.] In your own name?—In my own name, and in that of six or seven other persons.

4365. Mr. *Littler*.] Tell me how did you get those shares; was that before you saw the so-called prospectus or not?—Previous to my going away I knew that Mr. Watson had some undertaking in preparation, and it was understood that I would take a portion of it. While I was away, I received a telegram to the effect that whatever undertaking it was, was prepared, and what amount I take. From my own office I received this telegram, and I replied to my own office by telegram that I would take to the extent of 20,000 l.

4366. When you got back, I think you found you had only got 19,000 l., did you not?—That is so.

4367. You saw that prospectus. By the way, have you got your copy of the prospectus now?—I lent all my papers, I think, to Mr. Bristowe.

Mr. *Bristowe*.] They have been on the table.

Chairman.] Mr. *Littler*, what is to prove, please?

Mr. *Littler*.] The next question I am going to ask is what he would look at as a broker if he saw this phrase "fully paid up" at the top of the prospectus?

Chairman.] If you please.

4368. Mr. *Littler*.] That is the reason why I asked about the prospectus; to have it for him to look himself. (To the *Witness*.) You remember the words "fully paid up," do you not, at the top of that prospectus?—Yes.

4369. What meaning would you attach to them, or what influence would that have on your mind as to a broker?—That would mean that the Company did did not receive any money in respect of that 85,000 shares.

4370. There is also another paragraph?—

Mr. *Mayne*.] It is "fully paid," I believe; not "fully paid up"?

4371. Mr. *Littler*.] Now, is there any difference to your mind, in reading it, whether it is "fully paid" or "fully paid up"; if those words are used, does that make any difference; critically, I should think it might make a difference?—"Fully paid up" might mean that they had been issued unpaid, and subsequently fully paid; but "fully paid," I should take to mean that they were issued fully paid; but I am not at all sure, without studying the question, that my definition is an accurate one.

4372. I wanted to know whether that single word made any difference?—

Chairman.] We must have the exact words of this. We must get this paper.

4373. Mr. *Littler*.] I have one here. "Private memorandum. Capital 1,000,000 l., in 100,000 shares of 10 l. each; 85,000 being fully paid, and 15,000 on which 5 l. per share is paid." Now, did I understand you to say that "fully paid" carried to your mind that there had been no money passed?—Yes, I should think there would be no doubt on that score.

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4374. The latter part of this, the last paragraph but two, says this: "It is not proposed that the present Company should itself undertake active mining operations, but that it should prospect and form subsidiary companies to work the various mines which it may be desired to develop, and grant to them the necessary leases. The profits of this Company will be the amounts paid in cash by the subsidiary companies or persons for their leases and rights, together with such rents, royalties, and shares as may be reserved." I want to ask you as a broker, seeing those words "fully paid" in print, and also seeing that paragraph, would that be a guide, to your mind, as to the way in which the Company had been formed?—I read that paper, of course, carefully. I never had any doubt that it was intended to work this Company by subsidiary companies, who should undertake the separate parts of the concession.

4375. I believe you never acted for Mr. Watson in the business at all, did you?—No.

4376. You did buy shares from time to time in the market, did you not, in the course of your business?—Very few. I have dealt with very few shares.

4377. When you did buy; you acted as broker for buyers in the ordinary way?—Yes.

4378. Bought them in the market?—Yes.

4379. In the course of anything you saw on the Stock Exchange, did you find any communication to guide you as a stockbroker, that there was any other than ordinary fair dealing?—I cannot say that I have come to any conclusion that there could be. I knew there were very large transactions, but I did not know where those large transactions were conducted.

4380. My question was rather this: Did you see anything to indicate that there was anything unfair or improper going on?—Nothing of the kind came under my observation.

4381. *Chairman*.] How could he, Mr. Bishop; who gave you this document?—I think, Mr. Watson.

4382. Mr. Watson brought it to you, for what purpose?—In order that I might ascertain what the character of the undertaking was to which I had subscribed.

4383. Was it after you bought your shares?—Oh, yes.

4384. You got, you say, 19,000 l. worth?—Yes.

4385. In what name were they transferred; I want to trace them here?—I cannot tell you without referring to my books.

4386. Can you give me any name; do you recollect any one of the names?—Yes; I can recollect one name, Charles James Shaw.

4387. When was that, please?—That must have been in the beginning of September 1886. Another was Mrs. Bretherton.

4388. We have it here. Sold to W. H. Bishop 1,900 shares, 16,900 l. 17 s. —£. 9 a share.

4389. That is what you bought at?—I bought them in that way and allotted them.

4390. To sell again?—No, not to sell again; I took them for certain persons amongst my client.

4391. Was that a matter of business amongst your client?—Yes.

4392. Did you hold some yourself too?—Yes.

4393. And have them now?—Yes.

4394. You have held them as an investment?—Yes.

4395. Of course you have had great experience in dealing with these documents. We have heard of the capital of 1,000,000 l. in 100,000 shares of 10 l. each, 85,000 being fully paid, and 15,000 on which 5 l. per share is paid. You see the 5 l. is paid in respect of 15,000. Would that represent about 5 l. being paid in money by persons who had answered calls or paid the allotment?—On the 15,000 shares, yes.

4396. There you have 15,000, 5 l. paid?—Yes.

4397. Then, if you have got the line "85,000 being fully paid," reading it by the light of the "15,000 on which 5 l. per share is paid," and that represents money; the 85,000 being fully paid, why should not that represent money?—Because, in the form commonly adopted in the formation of companies, any number of shares fully paid is understood to mean shares which are given by

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the Company in consideration for something or other transferred to the Company.

4398. Do you think that that is a reading that would be known to the general public, or is that one that would rather be known only to persons connected with the floating of companies?—I should think it would be known to the general public, because no broker buying shares for a client, if he thought any doubt was on the mind of the client, would fail to instruct him.

4399. Assuming your reading to be correct, if "85,000 being fully paid" should be read as you say, still, surely the Company ought to have received 850,000 l. worth of value in something for the 85,000 shares fully paid?—There ought to be an estimate of value, I take it, you mean?

4400. Yes?—There ought to be an estimate to justify the 85,000 shares.

4401. As a matter of definition, I do not use the word estimate; but I want to know whether the Company ought not to have received value for the 85,000 generally, first?—They ought to have received something.

4402. How were they to arrive at the quantum of what they ought to receive?—Well, it is a difficult process. I do not think I can tell you how they ought to arrive at it, but I can tell you how I arrive at a conclusion myself on the subject.

4403. I am speaking of what the Company got. When they gave to the concessionnaires 85,000 shares (which at par would be 850,000 l.) as you say, they ought to have received something?—Yes.

4404. Ought not that quantum to have been ascertained by some process or other?—I am obliged to call that an estimated value.

4405. But surely those who represent the Company ought to see that the estimate is sound, ought they not; they ought not to take up a piece of paper and say, because it is here we accept it, ought they?—Not when they are parties to the contract. That is to say; here is a concession between the Government and the concessionnaires. The Government insists in having a certain amount of available capital which is fixed at 150,000 l. The Government appear not to care about the state of the remaining capital. Therefore, the condition as regards the Government and the concessionnaires is fixed in that 150,000 l. of available capital.

4406. So I quite understand, *quid*, the Government and the concessionnaires; but now come to the concessionnaires and the Company. The Company, of course, have got shares which they give, and those shares were given into the hands of the public; they went into your hands, did not they, some of them?—They did.

4407. Ought not those people who held the shares to be protected to this extent, that in giving out those shares, the Company out to get their real value back?—Well, the condition of the Company at that moment appears to have been one.

4408. I am speaking rather of the general rule as regards the words, "being fully paid." If you will pardon me, if a Company gives out 850,000 l. fully paid up shares to anybody ought not the Company to get full value for those shares?—Yes.

4409. And in getting the value for the shares ought there not to be some process gone through by which the Company are sure that they do get that they do get that value?—Certainly, that ought to be the case.

4410. And I suppose *prima facie*, you would say, speaking as an expert, that that duty should be upon the company who issued the shares?—That is true, also; but at the same time, a very strange condition of things exists, and one which was not common previous to the Limited Liability Acts, or in their earlier stages. I will suppose a case in which those really interested in a company; I may take for instance Glyn, Mills and Co., those are people who put themselves down at once for the whole amount of their shares; therefore that is a strong case. In the ordinary case, when a limited liability company is formed, a solicitor is called in; the solicitor, the promoter, and half a-dozen clerks form the whole company.

4411. But then, suppose you gave the solicitor, the whole company, as you call it, 1,000,000 l. worth of shares [100,000 shares] of course they are not going

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going to put them in a box, probably they will sell them as they did to you ought you not to look to the interest of those people who afterwards are to become the holders of the shares to see that there is some value behind those shares, and that they are not shares given without any return for them?—That is to say, no wise man would put himself in the position of being a director of a company where he cannot afterwards justify his action.

4412. I hope not. Why should not a man justify his action?—I say, I am assuming that that is your case; that a man must be in a position to justify his action.

4413. By first finding out what his duty is. And I am now asking you what his duty is. Was it not the duty of these directors to see when they gave these concessionnaires 850,000 l. commission, that the concessionnaires gave them that value back?—I am rather assuming that their mind is satisfied on that subject; but I agree with you that their mind should be satisfied upon that subject.

4414. I quite agree with you; that is what I should have expected you to say?—Then I think it is right to ask you to listen to the way in which the matter was explained to my mind, because if I said I was applying for 20,000 l. worth of shares in a company, of which I may know nothing, you may come to the conclusion that I know nothing of my business.

4415. We shall not judge you harshly in the transaction?—Nothing is more common.

4416. We do not know whether you would have bought the shares or not if you had known as much as the Committee know at this moment; but you were, of course, led to believe that the shares were worth to the Company what you gave for them?—I thought so. I was led to believe nothing on the subject, because I bought on the single faith I had in three conditions, that is to say, Mr. Watson's integrity, his ability, and his position. I did not know what was coming out when I subscribed; and I may explain to you that the same thing has happened to me twice already this year. Certain houses in the City, whose position, whose ability, and whose integrity are well-known, are in the habit of telling brokers whom they trust you may have a participation (it is termed a participation) in the contract, for which they allow a certain premium to those who subscribe. In this particular case the 10 l. shares were given to me at 9 l. They went from me at 9 l. to my clients just as I receive them.

4417. We do not ask you a question about your conduct in the matter?—I am not seeking to make that clear; I am seeking to make clear that an allowance of 1 l. per share is made to those who take them before the public subscription, if there is one.

4418. Mr. *Labouchere*.] Then there was not one; you sold them to your clients for 9 l.?—For 9 l.; certainly.

4419. *Chairman*.] You passed them on?—That is a common case; what I am pointing out is that it is a common case.

4420. Mr. *Bristowe*.] Mr. Bishop states that in bringing on the memorandum (not a prospectus, but a memorandum) he considers, from seeing that the 85,000 shares, of 10 l. each were "fully paid," that nothing was paid upon them, but that they were the concessionnaires' shares?—Yes.

4421. I only want to ask whether it is not a fact; I may say in every prospectus he has seen, that if a certain number of paid-up shares are given for the concession that it is so stated on the prospectus, and whether that is not in accordance with the Act?—Yes, I think it is so.

4422. But it is not so in this?—I think I recollect so, though I was told this was not a prospectus.

4423. That it is not a prospectus?—Yes.

4424. But you said in reading this, you considered nothing is paid on them; and you also said that it was customary in prospectuses?—Yes.

4425. I think you have answered it; but I should like to put it once more; whether in every prospectus it is not legally binding upon the directors to state if there are any fully paid-up shares given for the concession, that they are so given?—I do not know.

4426. My impression is that it is under the Act, and my impression is that I have

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have never seen one otherwise?—I am not a lawyer, and therefore cannot answer the question.

4427. Mr. *Slagg*.] Did your clients buy these shares, in your opinion, for speculative purposes or for investment?—I think I may say that they were taken for investment.

4428. Looked upon by the buyers as a safe and sound investment?—I think the buyers acted on my judgment in the matter. The Nizam Loan had just been issued; the Nizam loan had, after a loss in the first instance, come to a very reasonable market quotation, and was looked upon as an improving investment, and this was connected with it. That is all I knew of it in the first instance.

4429. Did you refer to the statement in "Burdett's Official Intelligence"?—"Burdett's Official Intelligence" had no record of it at that time.

Chairman.] It is only in 1888, I think.

Mr. *Littler*.] February 1887, is "Burdett's," I think.

4430. Sir *Richard Temple*.] I understand you to say that you telegraphed that you would take 19,000 *l.* or 20,000 *l.* worth of these shares?—Yes.

4431. Does that mean that you meant to pay 19,000 *l.* or 20,000 *l.* in money?—Yes, and did pay it, minus 1 *l.* per share.

4432. Upon what information did you pay this large sum of money?—I paid that on the calculation that the statements placed before me were reliable statements, and afforded ground for the belief that the concession would be a paying undertaking, and that the money would be by degrees recouped with good dividends to the shareholders.

4433. What were those statements laid before you?—One was connected with the Singareni coal-mines, and the course of the investigation showed that a mine, concerning which at first considerable doubt existed, was ascertained to contain a very large amount of coal, and to give, very probably, a considerable return. The other was concerning gold, some other metals and minerals. I do not think I attached much, if any, belief to the statements concerning diamonds, and very little was said to me about it at the time.

4434. Did you attach any weight to the statements about the gold?—Yes, they were circumstantial statements; and, as time went on, they became still more than circumstantial.

4435. Do you remember what statements they were, and by whom?—No, I should not like to say, lest I might confuse the names.

4436. Did you really believe that a large amount of gold was about forthcoming?—"Forthcoming!" I thought the probabilities were of the existence of a large amount of gold-bearing rock or quartz.

4437. Did you hear that any gold had been profitably extracted?—Oh, no.

4438. Then you risked this 20,000 *l.* mainly on the faith of the report about the coal mine?—I think so, mainly because that was the only ascertained quantity.

4439. Did you see any prospectuses of the Company, or of the project?—The memorandum that has been referred to?

4440. You saw nothing but the memorandum?—I have seen several other reports and statements; I think altogether I have had some half dozen through my hands.

4441. Chairman.] Reports from the experts abroad, issued to the shareholders?—No, I do not think they were issued to the shareholders; I have received them from Mr. Watson's office, but I do not think I have received them from the Company. Some I may have received from the Company.

4442. Sir *Richard Temple*.] May I ask you who had sent you these statements about the coal mines?—I received them at Mr. Watson's office, with the diagrams, and in fact such evidence as a man, seeking to inform himself about matters of the kind would consider sufficient.

4443. Had you heard that the concession had been sanctioned or examined by the Government of India, or the Secretary of State for India?—I heard certainly that

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that it had passed under the observation of the Indian Government and under the observation of the India Office, otherwise I probably should have abstained from taking any great part in the matter.

4444. Otherwise you would have abstained from taking any great part in the matter?—Yes.

4445. Then the knowledge of this sanction and this supervision influenced your action?—It influenced my determination to persevere in my action, because when I returned, Mr. Watson did not hold me to my telegram; he told me I could take less if I thought proper.

4446. And you abstained from taking less because you knew of the sanction and supervision of the Government of India?—Because I heard of that, and believed in it; I could not know it; I believed it.

4447. Mr. *Labouchere*.] I do not quite understand how you transact your business, because you say you took these shares "firm," and then handed them over to your clients at the same price as you took them "firm"?—Yes.

4448. Is that beneficent habit usual on the Stock Exchange?—I think so; and I think a broker always passes things through his books from the person from whom he buys them to the person to whom he sells them.

4449. You took them before you sold them, according to your account; you took them "firm"?—I did not take them for my own account only, but for my own account and other people.

4450. A pool?—No, not a pool. If you had been one of the persons I should have written you at once, "I have so much for you," but if you want to know how I was remunerated, I say at once, I was remunerated by a commission of two shillings per share, which Mr. Watson paid.

4451. Then you knew they would be placed before you took them?—They were placed; they did not undergo any process. I took them for the people.

4452. Mr. *Slagg*.] Were your clients, so far as you know, aware, or were they influenced by the fact that the Secretary of State for India had sanctioned this contract?—I do not think so. One or two of my clients, whom I may have seen on the subject, I most likely communicated that to, but I do not think I wrote it to any with whom I was not in contact; they acted solely on my own discretion in the matter.

4453. Do you consider that a matter of that sort would give a greater value to the shares than they would otherwise possess?—"Value" is one question. That would depend upon the prospects of a remunerative term; but I should say it would give a greater security.

4454. It would give them a certain endorsement?—Yes.

4455. Mr. *Bristowe*.] Did you see this document before you concluded the bargain?—I saw that after I had telegraphed, and after I had returned.

4456. Before you had concluded the bargain?—I think so. I should not like to say with absolute positive certainty, because I am not sure that it was out at that time.

4457. Chairman.] It stands that you, having made, as it were, an offer, when you returned, Mr. Watson said you may take them or not, as you like. I suppose the shares had gone up somewhat?—Yes; he said you need not take them, if you like.

4458. But you think you had seen that document?—I think I had, but I am not sure; it was about that time.

4459. Mr. *Slagg*.] From the very first you knew it was, at any rate, stated that the Government of India had overhauled and virtually sanctioned this concession; that fact weighed considerably in your mind as to the value of the security of the shares?—Oh, yes.

Mr. *Littler*.] That is all I ask, Mr. Bishop.

[The Witness withdrew.]

Chairman.] Is there anyone else?

Mr. *Littler*.] There was a gentleman here last time. I do not know by whom he was summoned; but, if he is here, I should very much like to ask

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ask him a question, that is Mr. Rock, who is the agent of the Nizam's Government?

Chairman.] What is he to prove?

Mr. Littler.] To prove the time at which Mr. Watson communicated to him the fact of Abdul Huk having a share in this.

Chairman.] Very well; if you please.

Mr. Littler.] Is Mr. Rock here? I do not know him by sight. If he is not here, I cannot ask the Committee to wait.

Chairman.] Now, Mr. Pember.

Mr. Pember.] My secretary was to be called for the purpose of handing in the reports, and the plans which accompanied the reports.

Chairman.] Very well, you may hand them into me.

Mr. LAUCHLAN L. HALL, re-called; further Examined.

Mr. Pember.] You insist, I assume, Sir, on having the originals of the reports. Here, Sir, are the originals. (*The same were handed in.*)

Chairman.] Who are these by? State shortly by whom they are.

Mr. Pember.] The names are on the front page of the printed copy, I think. Then here are some plans. Here are the plans and copies which accompanied them.

Chairman.] I have got several reports here.

Mr. Pember.] Yes, Sir; for your convenience we had them bound, and I think I see on the table before you your bound copy.

Chairman.] Yes, that is quite right. Hand in the originals of those, please.

Mr. Pember.] I have handed in the original. I do not know that I have any questions to ask Mr. Hall; but of course there he is, if anybody wishes to ask.

Chairman.] That will do, Mr. Hall.

[The Witness withdrew.]

LORD LAWRENCE, sworn; and Examined:

4460. *Mr. Pember.*] You are a Director of the Deccan Mining Company?—Yes, I am.

4461. When did you become a director?—About the end of July; I forget exactly when.

4462. *Chairman.*] 1887?—Yes, last year.

4463. *Mr. Pember.*] Who asked you to become a director?—The Board of the Company wrote to me asking me if I would be a director to represent the Nizam, as he was a shareholder in the Company. I thought about it, and asked a few of my friends, and they made some inquiries, and seemed to think it was all right, and I became a director.

4464. And until that time you had no connection with the Company whatever?—No; none at all.

4465. Did you, after that, buy shares in the Company?—Yes, I bought some.

4466. Would you mind telling the Committee how many shares you bought?—My brother and I bought about 1,000 shares between us. We bought them in the open market through our own broker. I think we gave 12½ for them, or an average of about 12½; I think I hold about 500, or thereabouts, and I may say that I bought

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[Continued.]

bought them on the strength of the Nizam being a shareholder, and hearing that he had bought the shares at about the same price, I thought I could not be very wrong. Also, that I imagined that the concession and the details of the whole thing had been through the Government of India, the India Office, and practically one got ones title from that quarter. That is practically how I looked upon it.

4467. Was there anything whatever that led your mind to the supposition that the position of this Company or of the concession they had got would ever be impugned?—No, certainly not; in fact, I imagined that if there was any charge going to be brought against anybody connected with the Company, particularly if the Nizam had any grievance, I should have been, to a certain extent, the channel through which that grievance could have been pressed.

4468. Inasmuch as you represent him?—Certainly.

Chairman.] Is Lord Lawrence speaking of the present time, or the time when he bought the shares?

Mr. Pember.] I asked him as to the time he bought the shares.

Chairman.] He is answering now, as I understand, regarding this inquiry.

4469. *Mr. Pember.*] I think he is. (*To the Witness.*) I think you misunderstood my question. Had you, at the time you took your seat on the board the slightest reason to believe that there was anything irregular either in the formation of the Company or the concession itself?—Certainly not.

4470. When did you first hear that there was anything considered not to be straightforward about the Company?—This spring; I saw it in the financial papers, I think, or rather, in the "Standard." The telegram in the "Standard" was the first information.

4471. And as you say, you should have expected to have heard of it if there was any grievance on the part of the Nizam through the Nizam himself?—Yes.

4472. Or his representative or advisers?—Yes.

4473. I understand you were his representative on the board?—I consider myself representing him purely as a shareholder, and also the other shareholders too.

4474. There is just another question I should like to ask you: Did you ever make the acquaintance of Abdul Huk?—I met him in London, in society: he was introduced to me. I think I met him at the Queen's garden party, at a Buckingham Palace garden party. Then he called on me, he had an introduction; I forget whether he was introduced to me. I am not sure whether he had not a letter of introduction to me; that I do not remember. I cannot speak with certainty.

4475. At all events, he was introduced to you by one mode or the other?—Yes.

4476. Was he representing the Nizam at that time?—I imagine so; and I was told so.

4477. On the occasion of the Queen's Jubilee was that so?—Yes.

4478. I think it is within your knowledge, is it not, that a good number of your friends have invested in shares through the fact of your being a director?—Several have, I am told; I have not introduced anybody.

Mr. Pember.] Those are all the questions I care to ask Lord Lawrence.

4479. *Mr. Labouchere.*] When you took those 500 shares, I understand that you only knew that the Company had been looked into by the Indian Government, and you took them on that ground?—Yes.

4480. Then at that time you were not aware of the 85,000 shares?—When I joined the board, do you mean?

4481. No; when you bought the shares?—No, I cannot say that I was. I bought the shares almost immediately after joining.

4482. After joining the board?—Oh, yes, after joining the board.

4483. You had not bought any shares at all before?—No.

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4484. You

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[Continued.]

4484. You were not aware of it?—No.

4485. When did you become aware of it?—I became aware of it when I found out that we had only about 150,000 *l.* captal.

4486. What action did you take as a director then?—I do not that I took any action. In what way do you mean took action?

4487. In the way of letting the public know it?—The Company had been started, and the public were shareholders, long before I had anything to do with it.

4488. You say you would not yourself have taken the shares if you had known this?—I do not know. If I had thought the thing was worth 1,000,000 *l.*, it is a question. I cannot say.

4489. You did not in any sort of way convey to the shareholders, who might have been ignorant of the thing, this fact?—I was about the last shareholder myself you might say.

4490. You did not convey it?—No; I conveyed nothing.

4491. As I understand, you were put on the board with Abdul Huk as the representative of the Nizam?—I was invited by the board of the Company to be a director; as the Nizam had the privilege of increasing the number of directors, I fancy, by two, I was asked to be one of those directors.

4492. The two representing the Nizam specially; one of the two?—Yes.

4493. You and Abdul Huk?—I did not know who the other was. I imagined that the other was some one in India: one of the officials in India.

4494. At present you have not been elected in any sort of way by the shareholders?—Yes; because it was put before the shareholders that this was the case, and I think, I cannot be certain of this, but my impression is, a notice was given to the shareholders.

4495. Yes; but was not that upon the ground that the Nizam might appoint two directors?—That I do not know. I forget what the ground was. I do not remember at this moment.

4496. Are you aware that at present the Nazim is no longer a shareholder?—Yes, and I am no longer a director, strictly speaking.

4497. Oh, you are no longer a director?—Strictly speaking. Of course, the shares are still in the Nizam's name, so that I believe legally I am in rather a curious position. I do not quite know what I am; whether I am a director or not. The shares still stand in the Nizam's name.

4498. Have you been acting lately as a director?—I have been to every board meeting, except one or two about Christmas time, almost.

4499. Now?—We have not had a board meeting since this discussion was on.

4500. Would you consider yourself a director?—I do not know whether I would. I should attend the board meeting certainly, because I am anxious to watch everything that is going on, unless they objected to my going.

4501. Would you have any *locus standi* there?—That I do not know.

4502. Do you know whether Abdul Huk is a director?—No, because he is suspended. I have had no communications with the Nizam's Government asking me not to attend a meeting.

4503. On the 29th May, I think, was the last meeting?—I do not remember the date now, but we have not had a meeting since this inquiry commenced.

4504. *Chairman.*] Not since we sat; but on the 29th May, after this Committee was moved for?—Yes; but not since it began.

4505. *Mr. Labouchere.*] You did not sit on that meeting?—I was going, and on my way called on the Nawab; I forget the gentleman's name; he was my co-director. We were going to the meeting together. I went to his hotel to have an interview with him, and we are talking of this very thing instead of going to the meeting; we went in too late. My name was not entered on the board minutes.

4506. This is the Chief Justice, is not it?—The Chief Justice.

4507. He has replaced Abdul Huk as a director?—Yes; on that very date I went to his place in time for the board meeting. I intended to go up with him. He introduced to this gentleman who has come home as the representative of the Nizam, and we were talking there; and instead of being at the board meeting

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[Continued.]

meeting I was having an interview with him. We went up to the board together, but it was not over.

4508. At present you have not yet decided what course you will take in this matter?—No, certainly not.

4509. Or what course you would take if you did remain?—No.

4510. Or what action you would take as a shareholder?—I have not decided anything.

4511. You feel it your duty to look after it, as a great many of your friends have taken shares?—Decidedly.

4512. *Mr. Slagg.*] Have you seen this memorandum?—No, I never saw it; not to my recollection.

4513. The representations with regard to the shares induced you to invest in them?—I believed that it was a good investment at the time, from what I gathered from the papers and reports by people who understood this. I saw *Mr. Hughes* professionally.

4514. Did you hear that the Government of India had sanctioned the concession?—Yes, I understood that.

4515. Did that weigh with you at all?—Certainly; it weighed with me more than anything else. I have made careful inquiries, so far as I am capable, as to whether the whole thing had been put before the India Office and the Government of India, and I understood that it had.

4516. If it had not been for that sort of guarantee, you would not have invested?—No, I do not think I should have had anything to do with it.

4517. *Mr. Labouchere.*] Can you tell us from whom you learned or understood it had been put before the Government of India?—I saw some of those papers, and I was assured they had all been through the Indian Office.

4518. Who assured you? Was it anyone at the Indian Office?—I do not know. I think I spoke to *Sir Ashley Eden* about this thing. I know I spoke to several, but I would not like to be absolutely certain.

4519. *Mr. Pember.*] Would you mind asking Lord Lawrence one question for me, which is this: Has the Nizam's Government in any way while you have been on the board as his representative, conveyed to you any complaint as to the formation of the Company, or the way in which the concession was obtained or anything?—No; but I had a certain amount of grievance, and was rather annoyed, I must confess, with the Government of the Nizam. I do not know whether the Committee would like me to say anything about it.

4520. *Chairman.*] No?—Naturally I understood that they would take the proper course of going through the India office, or through me, if they had a grievance.

Chairman.] We had better not go into that. The Committee are sitting by virtue of the Vote of the House of Commons, how we came to sit is not in question. Is there any other Witness.

Mr. Pember.] I am very anxious to call *Mr. Morgans* at all events, and ask him what meaning he attaches to "fair rent."

Chairman.] We had better have that question, but confine your examination of *Mr. Morgans* to that. I do not think it will help us much. I think we know what it is.

MR. WILLIAM MORGANS, sworn; Examined by *Mr. Pember.*

4521. You are a partner in the firm, I think, of Thomas and William Morgans, Mining Engineers, of Bristol and London?—Yes.

4522. And I believe that you are consulting engineers to the owners of a great number of mining properties, both at home and abroad?—Yes, we are.

4523. And you act as consulting mining engineers, I think, to the Hyderabad
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Mr. MORGANS.

[Continued.]

bad Deccan Company?—We do, and I have personally attended to most of the business in that department.

4524. I think you are a Life Fellow of the Geological Society?—Yes.

4525. And you are a Government Examiner, I think, appointed by the Secretary of State for granting certificates of competency to mine managers?—Yes; and I also occupy a seat to which I was appointed about four years ago on the Examination Board.

Chairman.] Mr. Pember, I think we may get his evidence.

4526. Mr. Pember.] I want to call your attention to paragraph 11 of a certain concession which I may tell you, I suppose was made to this Hyderabad Deccan Company?—Yes.

4527. Paragraph 11, the words are, “every lease shall reserve” (you will allow me to miss out unnecessary words I dare say) shall reserve such royalties as “shall be fixed by agreement between a mining engineer to be appointed by the Government, and a mining engineer to be appointed by the lessees, or, in default of their agreement, by an experienced engineer in India or in England”?—Yes.

4528. Then after some words which settle certain formalities with regard to the granting of the lease and the reservation of royalties, these words occur towards the end of the section about the fourth line, “They shall be fixed so that the fixing and determining of such royalties shall be based and founded on the general principle of a fair rent”?—Yes.

4529. What meaning should you, as mining engineer of experience, attach to these words “fair rent”?—I should say it is a rent to be fixed with regard to the rents that rule fair in the district.

4530. On the assumption that there were lessees, sub-lessees or licencees under such a Company as this Deccan Company is; would there, over and above the fair rent to be paid to the lesser or the Nizam, and such profit as a man might look to get upon the investment of his capital, be a margin for giving anything to the Company itself by way of premium for the leave or license?—That would depend entirely upon how the concession turned out, but knowing what I do of the concession, I say there is a margin.

4531. Mr. Labouchere.] Are you a shareholder?—I am not.

4532. Mr. Pember.] Have you ever been?—Never.

4533. *Chairman.*] Consulting engineer of the Company?—I am perfectly independent of the Company.

4534. You are their consulting engineer?—I am their consulting engineer.

4535. Mr. Bristowe.] You have not been to Hyderabad?—No; in forming my opinion about this concession, I am standing upon very much stronger ground.

Chairman.] Do not go into this. We shall only get opinions upon this; it is a very difficult point.

Mr. Pember.] After all, I suppose the opinion of a gentleman of such experience as Mr. Morgans upon the real value of reports and plans would surely be better worth having, I would venture to say, than even our own, or—

4536. *Chairman.*] I am sorry to say the Committee differ from you, we do not purpose having the consulting engineer to give us his opinion upon these reports. We can form our own opinion. (To the Witness.) You said a fair rent would be according to the fair rent of the district. Are there any mines in Hyderabad that you know of except this?—No; but there are mines in Mysore, the adjoining territory.

4537. That is what you mean by the district?—Yes.

4538. Mr. Labouchere.] Mysore is some way off, is it not?—Yes; it is to the south.

4539. Did

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[Continued.]

4539. Did you report upon the Mysore mines?—No.

4540. Do you know anything about them?—Yes, I do.

4541. You are aware that the public has lost a good deal of money by them?—That I cannot tell you.

4542. And are you aware that mining experts put in very flowery statements in regard to these mines?—That is very commonly done.

4543. Very. Now can you tell me of any other case in which royalty is specifically defined as a “fair rent”?—Royalty?

4544. Yes?—Royalty is a form of rent.

4545. Is there any other case you know of in which in an agreement royalty is stated to be based upon the principle of a fair rent?—I have no doubt there are many, I cannot call to mind any particular ones.

4546. You do not know of any?—No.

4547. You say that you consider that the concessionnaires could sell this to a company, and might justifiably sell one of those leases to a company?—I say that their only means of working this concession, which will require millions of capital, is by means of subletting to subsidiary companies.

4548. They would be justified in making those subsidiary companies give them large sums of money for these mines?—The subsidiary companies will first satisfy themselves that the discoveries put within their reach will justify them in paying a bonus to the parent company for the sub-leases, and having satisfied themselves of that they will pay the *bonus*.

4549. Leaving it to be decided afterwards what fair rent is?—Certainly not. The fair rent will be decided beforehand.

4550. I beg your pardon, that is not at all in the clause. Do you assert that? Have you read the clause; will you read it now?—I know that every lease that is granted here will have to carry a fair rent.

4551. Will you read there the first words?—Any words you like.

4552. The first line, if you please?—“Every lease shall reserve.”

4553. Do you mean to say when it says, “Every lease shall reserve,” that it means that the rent is settled before hand?

Mr. Pember.] It must be.

Mr. Littler.] It must be.

Mr. Labouchere.] The amount?

Mr. Pember.] Yes.

Chairman.] We must not have this discussion, Mr. Pember.

Witness.] No one will start a mine until he has got his lease, and the rent will be stated in the lease.

4554. Mr. Labouchere.] Are you aware that Mr. Winter himself pointed this out, and stated if this clause were maintained it would be impossible to let mines?—I am not aware of anything with regard to Mr. Winter's proceedings at all.

4555. Then you only think it would be a matter of fairness; that is all?—A matter of fairness.

4556. That the rent should be settled beforehand?—Your lease is not complete without having the item of rent expressed.

4557. Will you be good enough to tell me what the the word “reserve” means?—It is reserved for the landlord; that is to say, it is retained for the landlord; that is how I should say the word should be understood.

Sir Horace Davey.] It is a technical word.

Mr. Pember.] It is a technical word.

Witness.] It is a legal expression.

4558. Mr. Labouchere.] And you think it would be fair that the Nizam should not receive what he would receive from another person on account of this obligation to let to Mr. Watson?—Clearly, and for this very reason, that the

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[Continued.]

the Nizam is no more entitled under this concession to the benefit of the Company's discoveries than would a landlord, the owner of a farm (to use your illustration of a day or two ago), be entitled to the benefits of the "improvement" of his tenant.

4559. Then you call it "improvement" to discover a gold-field?—It is the equivalent, if that is the illustration, which is unfortunate for your proposition in one respect; because, if you will excuse me saying so, it is a defective one. So far as it is not defective, it justifies the proceeding that is always followed by parent companies in subletting their property under subsidiary leases to subsidiary companies.

4560. That is to say, they might do it because other companies have done it?—Because it is practicable, and because it is the only practicable method of working huge concessions of this character.

4561. And the concessionnaires are to get them for nothing and to sell them for a great deal?—And if the Nizam did not provide a margin for a cover of that sort his minerals would be locked up to the end of all time.

[The Witness withdrew.]

Chairman.] Mr. Pember, is that all?

Mr. Pember.] Yes; I do not care to call anybody else. I think you have got all I undertook to get for you in the shape of transfers.

Chairman.] I think so; at least I think we have enough. I understand you could not get us out the consideration stated in the transfers.

Mr. Pember.] No; there was a difficulty about that.

Chairman.] I think we have got substantially the price the transfer gives on Mr. Watson's shares, we have got it, not in all. I do not think we need it.

Mr. Pember.] There is one list I do not think you have had handed in.

Chairman.] Sir Horace, are you seeking to call any witnesses for Abdul Huk.

Sir Horace Davey.] No, Sir, I do not desire to call anyone. There are documents I am very anxious to put in, but the originals are in India, I believe, and if you have conclusively decided that you will allow me to refer to that Buff Book, I must submit.

Chairman.] No, I do not think we can take the Buff Book under the circumstances.

Sir Horace Davey.] Only as a statement of Abdul Huk's case.

Chairman.] I may tell you that I have gathered from my colleagues on the Committee that it is not our view to try Abdul Huk here. Incidentally, of course, his conduct may be touched upon, but I do not think it is the tribunal to try him entirely.

Sir Horace Davey.] Then, of course, Sir, that makes it the less material.

Mr. Pember.] Here are two lists, Sir; I do not know whether you have got them both. One is a return of the secretary of the Hyderabad Deccan Company, which shows the higher prices paid per month for shares.

Chairman.] No, we have not seen that. Hand that in. Where does that come from?

Mr. Pember.] That is prepared by the secretary.

Chairman.] Yes, yes; but from what source?

Mr. Pember.] From the books of the Company.

Chairman.] When you get the lump sum as transferred taken out, what do they come to per share?

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[Continued.]

Mr. Pember.] I will put him in, so that you can ask him any question you like.

Chairman.] This speaks for itself.

Mr. Pember.] Then, Sir, there is one more matter before Mr. Hall goes, in case you should wish to ask him upon this. Here is a statement which we have had furnished to us by the firm of which that gentleman who was just now called is a member, by Messrs. Morris, Hurst, and Puckle showing the making up prices of the Hyderabad Company's Limited shares, showing the highest and lowest price during the account, and I think you will find it is of assistance to you, Sir. The list begins on the 15th September 1886, and goes to the 30th May 1888. Just look at it, Sir, kindly, and see what you think. I think you will find that very serviceable. It shows the prices the public have paid. (*Handing in the same.*)

Chairman.] Oh, no; this is a statement furnished by Messrs. Morris, Hirst, and Puckle. This is, as I understand, taken from the transfers by the Secretary.

Mr. Pember.] Yes, but the other practically gives you what we could not furnish you with. It gives you such an account of the making up prices of the Stock Exchange every fortnight as shows you really what the consideration must have been per month.

Chairman.] We will take this. It is a statement that requires to be proved very accurately. Mr. Littler, do we understand that you wish to call Mr. Burdett now?

Mr. Littler.] I did; but I am sorry to say he is not here.

Chairman.] I thought you said he was. We understand in relation to that entry it did not contain the statement of Hyderabad until 1888

Mr. Littler.] Eighteen hundred and eighty-seven, the one put in to-day is.

Chairman.] I am very glad you correct that. You handed me one of 1888.

Mr. Littler.] The only fact I want to get from Mr. Burdett would have been the date he knew of it.

Chairman.] You are quite right; if it is 1887 it makes a material difference, certainly.

Mr. Littler.] Certainly.

Chairman.] The one you handed me to-day was the 1888 one.

Mr. Littler.] The one put before the Committee the other day is my copy; February 1887, I think you will find is the date of it.

Chairman.] Then that concludes all the evidence that is to be called.

Mr. Littler.] I think so. Of course I cannot say anything further about Mr. Morgan's, I take it.

Chairman.] No, you cannot go into that.

Mr. Littler.] That is the only evidence I should have called.

[The Committee confer.]

Chairman.] The course the Committee purpose taking is now to adjourn to-day until 2 o'clock, not 12, on Friday. It may be that one further witness will be called by the Committee, in consequence of the evidence given to-day; but he will be a very short witness; on one point alone. Then the Committee will desire Counsel to proceed at once to make such observations as the Committee point out to Counsel they would desire to have made. The Committee do not wish elaborate argument in this case.

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[Continued.]

case as if it were a matter of advocacy, but the Committee will hear the concise statement of Counsel as to the facts they desire the Committee to take into consideration; and, of course, if the relevancy and the importance of those facts have to be pointed out, Counsel may refer to manner in which they consider them to be material hearing upon the evidence which has been given, but under such circumstances of course the addresses of Counsel cannot be at all long; they must be confined within a narrow space, in consequence of the wish of the Committee that the assistance of Counsel should be directed to pointing out what material facts they think bear upon this inquiry; therefore, if that is so, it will not be necessary to meet until two o'clock instead of at twelve. We shall ask Mr. Mayne to commence.

Mr. Mayne.] It would facilitate our labours in condensing very much if we could know before we commence to speak, what are the points on which the Committee wish us to address them.

Chairman.] You represent the Government, and we shall be glad of your assistance to learn from you what facts you think are material in your view in this inquiry. The Committee will itself resolve, in framing their Report, what they will direct their attention to hereafter. There are no issues here to be laid down formally.

Friday, 22nd June 1888.

MEMBERS PRESENT:

Mr. Bristowe.
Sir Henry James.
Mr. Labouchere.
Mr. McLagan.

Mr. Slagg.
Mr. Solicitor General for Scotland.
Sir Richard Temple.

SIR HENRY JAMES, IN THE CHAIR.

Sir EDWARD BRADFORD, sworn; and Examined.

4562. Mr. Labouchere.] You are the Political Secretary, I think, of the Nizam?—I am.

4563. Could you tell us whether there is any special treaty forbidding British subjects entering into financial relations with the Government of the Nizam?—There is a statute of George III. which forbids loans by any European subjects to Native states.

4564. There is no special treaty?—There is no special treaty.

4565. That is really what we want to ask you; would it render it necessary in a case such as this that the permission of Her Majesty's Government should be obtained?—To a loan?

4566. No; to a concession of this nature?—To a transaction of this sort.

4567. Of this nature?—There would be no treaty which would necessitate that; but I think the State would certainly consider itself bound to ask,

4568. And not to carry it into effect if permission were not given?—Certainly not.

4569. Mr. Slagg.] I want to ask whether the Treaty of the Hyderabad State does not differ materially from other treaties between the Indian Government and other native States?—It does.

4570. Can you tell the Committee in what respect it differs?—I am afraid not. If you could ask me any special point perhaps I might. The treaties are so various.

4571. Does it differ in this respect to endow the Indian Government with a larger degree of interference, and with greater powers in regard to the internal affairs of the Nizam than exists with respect to other native States?—I should have thought not; not than all.

4572. Not than all?—Not than all other States.

4573. Most of them?—Yes, I think it does.

4574. For instance, in regard to Holkar and Scindia, the Indian Government would not have the same powers of interference in relation to such a concession as we are considering now; as the Indian Government would have in relation to the Hyderabad State; is not that so?—I really cannot say.

4575. That is rather an important point?—Yes; I am afraid I cannot answer the question.

4576. Some members of the Committee, at any rate, are under the impression that the Hyderabad treaty places the Nizam especially under the protection of the English Government in relation to matters of this sort, and that the Indian Government does hold or professes to hold a sort of position of guardianship over the Nizam's affairs, which does not apply to other States?—I am not aware of any difference in that respect. The Indian Government does act as a protection to them all, I think; but I really am not able to say in what respect it differs.

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4577. It is the case, is it not, that no financial transaction or no financial contract of any importance could be arranged between the Nizam's Government and, say, a concessionnaire, or any person whatever, without the approval and consent of the Indian Government?—Under the statute.

4578. Under the statute, and in regard to general practice?—In regard to general practice, certainly not. That would be the practice.

4579. Of the Indian Government?—Yes.

4580. Would you not argue from that state of facts that the Government of India is practically responsible for anything of this nature that is really done?—I think the Government of India, or the Secretary of State, are responsible for any orders or advice they give under that statute, undoubtedly.

4581. Mr. *M'Lagan*.] Does the Act of George III., to which you refer have any connection whatever with the concession of minerals by the Nizam to a British subject?—No.

4582. None whatever?—I am under the impression that it refers to loans.

4583. To loans alone?—To loans alone; but it is rather, I believe, a question that has been disputed how far it would affect any other transactions.

4584. But if we take the words of the Act?—The words of the Act are certainly "loans."

4585. It is the words of the Act itself itself that decides the question, does it not?—Yes.

4586. "That no British subject, by himself, or by any other person, either directly or indirectly, for his use and benefit, take, receive, hold, enjoy, or be concerned in any bond, note, or other security, and assignment, granted, or to be granted by any such Native prince," &c. There is nothing said about "concession" there?—No, certainly not.

4587. Therefore does any evidence you have given to-day refer at all to this case?—No.

4588. None at all?—I do not quite understand.

4589. I mean to this particular case, this concession?—In what respect?

4590. Is it a loan; is there any money passed?—No.

4591. Is there any security?—My opinion is that this affects loans.

4592. And that that is the only Act?—Yes; but that I believe is a disputed point, is it not?

4593. I do not know; I have only the Act before me?—I will scarcely say absolutely, but that is my reading of it.

4594. If it is it is a very serious matter for the concessionnaires; it says that any British subject doing that shall be punished as if it were a misdemeanour?—Anybody giving a loan to a native State would render themselves liable to a prosecution.

4595. We are speaking of a concession here; and if he does it contrary to the true intent and meaning of this Act it shall and is hereby declared to be null and void to all intents and purposes?—It would be.

4596. There that concession would become null and void if he has acted contrary to this Act?—If he has acted contrary to this Act certainly it would.

4597. Do you think he has acted contrary to this Act?—It would be really only my own opinion, which is not worth much on a point like that.

4598. You say it is a disputed point?—It is a disputed point, I am told.

4599. Sir *Richard Temple*.] I have only one question to ask you; in reference to previous questions and answers, is it not the fact that the whole of the treaties and engagements between the Nizam and the British Government are to be found in one of the volumes of the work known as "Aitcheson's Treaties"?—Yes.

4600. Mr. *Slagg*.] I want to ask one more question please; I think there is a Treaty of 1798, relating to the Hyderabad Government?—Yes.

4601. Does not that treaty provide that no European shall be employed in or remain in the Nizam's Territory without the knowledge and consent of the Indian Government?—Yes, it is.

4602. That is so?—Yes.

4603. Sir

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4603. Sir *Richard Temple*.] Is it not the fact that the Nizam is prohibited from employing any European in his service without the consent of the Government of India?—I do not think there is any prohibition in practice, that is what the usage has become; that he applies.

4604. Is it not specified that he cannot enter into any engagement?—I think the words are—

4605. Mr. *Slagg*.] "Remain or be employed"?—Yes, it is in those words.

4606. Sir *Richard Temple*.] It will be found in the treaties, I suppose?—Yes; the words you read I know are in the treaty.

4607. The treaty contains that?—Yes.

4608. Mr. *Little*.] Would you kindly look at that, please (*handing a document to the Witness*). Is that an Indian Government official print?—Yes.

4609. That came, I think, from India last Friday?—It came from India last Friday.

4610. Are those the documents Mr. Cordery was referring to; perhaps you do not know; hand it to the Chairman, it speaks for itself?—They are, because I know that I showed them to Mr. Cordery.

Chairman.] What are these, Mr. *Little*?

Mr. *Little*.] Those are the prints of the two important letters, and a print of the letter covering them when they were sent to Mr. Cordery, and were communicated to the Government of India. It is more important, of course, for the purpose of date than anything else.

4611. *Chairman*.] Where did these come from?—From India; unofficially they came from India to me.

4612. From the Hyderabad Government?—No, from Simla.

4613. From our Government?—Yes, from our Government.

Mr. *Pember*.] Sir, I think I ought to add, and you will do as you like with the document when I mention it to you, I undertook to give you all the reports that had been made to the Company on the subject of their mines. We have found since yesterday that there was one that you did not have. It is an analysis of coal sent over from the mines to England, and made by Mr. Tookey, who is a well-known analyst, stating what the quality of the coal is.

Chairman.] An analysis of the quality?

Mr. *Pember*.] Yes; an analysis of the quality.

Chairman.] Hand that in, please.

Mr. *Pember*.] There is a printed copy, and the originals are at your disposal, and shall be handed to the Clerk.

Chairman.] You have seen the originals, have you.

Mr. *Pember*.] I have not read them, but here they are.

Chairman.] We will take that.

Mr. *Pember*.] Perhaps you would like to have two or three more copies (*handing in the same*).

Chairman.] Now, Mr. Mayne, in accordance with the intimation of the Committee, the Committee desire to hear you within the limits they mentioned. Just touch upon the facts as you regard them.

Mr. *Mayne*.] I will do so as shortly as I possibly can.

Sir, I think I should be exceeding my functions as representing the Nizam's Government if I were to attempt to lay before this Committee any argument or any views as to what their rights or what their remedies may be under the state of facts which has been disclosed by this Inquiry.

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When all the evidence elicited by this Inquiry with other matters is before the Nizam's Government, coupled with the Report of this Committee, he, of course, will take the matter into his most anxious consideration, with such advice as he may be able to obtain; and he will then adopt the course which will be determined, not merely by technical considerations of law, but by questions of policy and of necessity, and of good faith. But, Sir, I am authorised to state, and I think it may, perhaps, be of assistance to my learned friend who represents the Company that I should state it, that under no circumstances would the Nizam consider that he was justified in adopting any course which would have the effect of infringing upon the just rights of those shareholders who have advanced their money to this Company honestly and *bonâ fide* in reliance upon the concession which he granted.

Now, Sir, with that preliminary observation, the view that I intend to submit to the Committee is shortly this: That the conduct of the concessionnaires in diverting 850,000 *l.* of the entire nominal capital of the Company into their own pockets from the coffers of the Company was a fraud upon the concession, and that that fraud was carried out with the assistance and in collusion with Abdul Huk.

Now, Sir, I only propose to refer to the conduct of Abdul Huk in so far as his conduct bears upon the facts of this case with reference to what I submit is a fraud upon the concession, and the first proposition that I propose to submit to you, Sir, and in reference to which I wish to call your attention to the evidence is this: that Abdul Huk was not in fact authorised by the Nizam's Government to accept the bribe which he has received from the concessionnaires, that he did not himself believe that he was authorised, and that Mr. Watson and Mr. Stewart in dealing with him, did not believe that he was authorized to accept that bribe. Now, Sir, as briefly as possible, I shall call your attention to the evidence upon this point. It rests firstly upon three documents, letters which are now admitted to be genuine, which, in fact, have never been disputed, emanating from the old Salar Jung. The first is the letter of the 28th December 1881: "I write a line to inform you that if your Chandda railway scheme is not sanctioned by the Government of India"—

Chairman.] We have got that fully in our minds, Mr. Mayne, please.

Mr. Mayne.] Let me then call your attention to the last words of it, which are important with a view to explaining the letter of January 1883.

Chairman.] 1882.

Mr. Mayne.] No, Sir, 1883, the last letter.

Chairman.] I beg your pardon.

Mr. Mayne.] "You are hereby authorised and empowered to draw and receive from the said offered sum of British Government rupees, two crores 5 (five) per cent. commission on the whole aforesaid amount." Now these are the words to which I wish to call special attention, "and appropriate it in any manner you think proper in rewarding the services of those who have been mainly instrumental in starting the scheme and in carrying it through." I think, Sir, you will see the importance of those words when I refer to the third. Now that letter of course evidences a perfectly *bonâ fide* transaction between Abdul Huk and his own Government who are employing him. He is for his services to his own Government to get a commission of 5 per cent. on the money which his own Government is anxious to get paid in to their credit. It is precisely the same sort of transaction as takes place between the vendor of an estate and the commission agent whom he employs to sell that estate. The commission agent gets a commission upon the amount which he is able to get for his principal. There is nothing improper, therefore, or dishonest, or suspicious in that transaction. Now the next document is the important one. That is the document of the 5th January 1882.

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Chairman.] I said 1882; now you say 1882; is this 5th January 1882?

Mr. Mayne.] 5th January 1882.

Chairman.] I understood so.

Mr. Mayne.] 1882, Sir.

Chairman.] I understand there are two letters: 28th December 1881 and January 1882.

Mr. Mayne.] There is a third letter, Sir.

Chairman.] That may be.

Mr. Mayne.] It is not a letter, but a pencil memorandum.

Chairman.] This is the important letter.

Mr. Mayne.] This the important letter.

Chairman.] Quite so, and that is 1882. It is a "memorandum" in 1883.

Mr. Mayne.] The memorandum of 1883.

Chairman.] That is right.

Mr. Mayne.] The memorandum of 1883 will be explained by a reference to the concluding words of the document of December 1881, which I have already referred to.

Chairman.] That is right, only you called it a "letter."

Mr. Mayne.] I am now on the second letter. It says: "As the work you are doing is outside your official capacity, and your services to the promoters of the scheme will have been just as valuable as to His Highness' Government in case of the scheme being carried through, I write a line to assure you that I shall have no objection to your receiving any remuneration in the railway and mining schemes with which they may reward your services, and that I shall consider whatever you receive from them as only your due."

Now, Sir; it must be remembered what were the special circumstances with reference to which that letter was written. That letter was written with reference to the negotiation which was at that time going on with the Bombay Syndicate. The object of that negotiation was to induce the Bombay Syndicate to purchase the existing line for two millions of money, to carry on a fresh line, to accept a guarantee of 4 per cent. instead of the existing guarantee which was larger, and to accept a guarantee which should only extend to five years instead of a guarantee in perpetuity; and in consideration of the extraordinary advantages to the Nizam's Government from this railway scheme being carried through, the mining concession was thrown in as a reward to induce them to carry out that railway scheme on that system.

Now, Sir, it is obvious that this scheme was a scheme of such extraordinary advantage to the Nizam's Government, that the Nizam's Government might naturally be most thankful to offer every inducement to their agent to get that scheme carried through.

Chairman.] The railway scheme.

Mr. Mayne.] The railway scheme plus the mining concession, because the two are united together; but what the Nizam's Government had in view was the railway scheme. That was the thing they were anxious for, and the mining concession was a thing that was simply thrown in as a make-weight to the Company who were to carry through that railway scheme. Now, Sir, as we know, the whole of that scheme utterly fell through. It fell through because the Bombay Syndicate were not considered by the Indian Government to be persons of sufficient solvency and stability to carry any scheme of this sort through, and no scheme similar

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or of the same character as that in reference to which this letter was written, no scheme of that sort ever was carried through. At the beginning of 1882 Abdul Huk went to England. He found there that it was impossible to carry through any scheme in which the railway and the mining concession were united. Accordingly the railway and the mining scheme were dissevered, and they never have been united together. A railway scheme was adopted very differently and less advantageously than that which the Nizam's Government contemplated at the time this letter of authority was given, and the mining scheme was postponed for a bit, and was carried through on its own merits.

Now, Sir, the last document which I shall call your attention to is the pencil memorandum. I think it is of the 10th January 1883, written upon that Urdu memorandum handed in by Abdul Huk to the late Sir Salar Jung.

Chairman.] One moment. We understand that what you are putting to us is that, in the first instance, it was intended that the railway scheme and the mining scheme, or the mining concession, should be brought out together.

Mr. Mayne.] Should be brought out together.

Chairman.] Are there any documents or ought else that show that they were to be absolutely joined together, so that they would be founded by one company or one syndicate?

Mr. Mayne.] They need not necessarily have been joined together, Sir; but they were part of the one scheme which was to be submitted to one set of undertakers, and the one set of undertakers, the undertakers who carried through the railway scheme upon circumstances of such extraordinary advantage to the Nizam's Government were to get the mining concession thrown in as a bonus to them to induce them to grant those advantageous concessions in regard to the railway to the Nizam's Government, but no doubt having once got the concession they would then have dealt with it in two separate proceedings.

Chairman.] I think we shall get what you refer to rather from Mr. Winter's evidence. He was examined by the honourable Member for Northampton.

Mr. Mayne.] Yes, Sir. Now the last document I want to refer to is that pencil memorandum of Salar Jung upon Abdul Huk's memorandum to him of January 1883. You will remember the position of things at that time. Abdul Huk had gone over to England; he had found that the railway scheme and the mining scheme could not be united. Morton Rose and Co. had made a proposition for a railway scheme different from and infinitely less advantageous than the railway scheme which the Bombay Syndicate had offered to carry through. They had nothing to do with the mining scheme. Watson had made an offer on the 7th November 1882 for a mining scheme which had been accepted by Abdul Huk, as diplomatists say, *ad referendum*, for the purpose of being submitted to Salar Jung for his consideration.

That was the position of things existing in the beginning of 1883, and Abdul Huk was about to be sent back to England for the purpose of carrying out these two schemes. Now, it is with reference to that state of things that this third memorandum is written. It begins by language of an extremely complimentary character to Abdul Huk, which it seems he hardly deserved, and then follow these words: "You can yourself appropriate the whole of the commission agreed upon as remuneration of your good and valuable services, but this is secret." Now, Sir, compare this letter with the letter of December.

Chairman.] Just read those words again, "You can appropriate"—

Mr. Mayne.] "You can yourself appropriate." These are the words, I

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think, at page 32 of the Buff Book. "You can yourself appropriate the whole of the commission agreed upon as remuneration of your good and valuable services, but this is secret." Now it is quite clear as I submit that the commission, as mentioned in the document of January 1883, is a commission of 5 per cent. upon the two crores of railway money agreed upon in the document of December 1881, the difference between them being that whereas under the document of 1881 he was to appropriate in any manner he thought proper in rewarding the services of those who had been mainly instrumental in starting and supporting this scheme and carrying it through apparently, therefore he would take the money in trust to reward persons who had been instrumental in carrying this through; the document of 1883 says, "you can yourself appropriate the whole of the commission agreed upon in consideration of your good and valuable services." I submit therefore that this document of January 1883 refers to the commission agreed upon by the document of 28th December 1881; but there is the destination of the commission when so received by Abdul Huk; but that it does not amount to a ratification of, or to a renewal of, under the new state of circumstances of that authority to receive any remuneration he liked, which was given by the document of the 5th January 1882.

Chairman.] Mr. Mayne, the Committee perhaps would like to know exactly your propositions without expressing any opinion upon them. First, you seem to remark that the Persian Memorandum of January 1883 is genuine, in the handwriting of Sir Salar Jung.

Mr. Mayne.] I cannot dispute that upon Mahdi Ali's evidence.

Chairman.] That is the view you take, that is what you represent?

Mr. Mayne.] Yes.

Chairman.] Then, taking the wording of this, you seem to lay stress upon the word "yourself"; "you can yourself appropriate"?

Mr. Mayne.] Yes.

Chairman.] And you put that in contradistinction to the terms of the letter of December 1881, where he was allowed to divide it amongst those he thought worthy?

Mr. Mayne.] Yes.

Chairman.] This was giving him what you call recompense, the commission; as commission agreed upon in December 1881?

Mr. Mayne.] Yes.

Chairman.] That is your proposition?

Mr. Mayne.] Yes.

Chairman.] We have that before us.

Mr. Mayne.] That is the proposition I put before you, Sir. In the next place, I say that Abdul Huk did not consider that any one of those three documents, or all the documents together, did amount to an authority to him to receive the sum of money that, in point of fact, he has received from the concessionnaires in this case. Now we have got these documents put before the Nizam's Government. We find that in February 1885 he put the document of 7th January 1882 before the Nizam's Government.

Chairman.] Fifth January, is it not?

Mr. Mayne.] It is in the Blue Book. He put the document of January 1883 before the Nizam's Government, but in both he puts these documents before the Nizam's Government as a justification to himself for receiving the 83,000 l. which he claimed to deduct from the sum of money received from the railway commission. If that document, Sir, of February 1885, is before the Committee (it has just been put in), I think you will

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find a very remarkable thing in it. Perhaps you would allow me to see it. You will find in it that Abdul Huk in his letter of February 1885, puts in in full the letter of the 28th December 1881. He puts in in full the letter of the 5th January 1882. He puts in a reference, but not verbatim, a copy of the memorandum of January 1883, but he leaves out of that memorandum the material words which purport to give him the authority to receive anything whatever.

Chairman.] Which words do you refer to as the material words; which words did he leave out, do you say; which words of the Persian Memorandum of 1883, did he omit?

Mr. Mayne.] "You can yourself appropriate the whole of the commission agreed upon as remuneration of your good and valuable services, but this is secret." You will find, Sir, that he quotes the memorandum of January 1883, down to the words "faithfulness and integrity," and he stops there.

Chairman.] Will you give us time to look at that, please?

Mr. Mayne.] I can find out the passage for you, Sir.

Chairman.] Is it February 1885?

Mr. Mayne.] February 1885. His letter you will see puts in the schedule *in extenso*; the two letters of December 1881 and the 5th January 1882; but in the body of his defence he puts in this Persian Memorandum, the translation of this Persian Memorandum of January 1883, and he omits the important words.

Chairman.] You go a little too fast for me, please; I want to see where it is in the body of it. This document we have had in this morning. I want to see where this is put in, if you please; whereabouts does it come?

Mr. Mayne.] I have not a copy of it here. You will find it, Sir, at page 10 or page 6.

Sir Horace Davey.] I do not want to interrupt my learned friend, but I am quite aware that the Committee do not regard this as a case between, litigating parties; but I understood from you, Sir, that the view of the Committee was (I have refreshed my memory by reference to the Notes) that you would not try Abdul Huk; that you would not go into any question between Abdul Huk and the Nizam's Government; and I was not allowed to put in; and I believe is not formally before the Committee the statement of Abdul Huk's case. I do not at all complain. I bow at once; but I understand my friend is now basing an argument upon what has been said in that defence, comparing it with what is said in a letter which I have never seen, and which I believe has been handed to the Committee this morning; but not until this morning, and for the purpose of showing, that as between the Nizam's Government and Abdul Huk, Abdul Huk had no right to make a certain claim which may be the subject of litigation between him and his Government hereafter. Of course, Sir, I am quite aware that I am only addressing you by indulgence, but I am quite sure you will not put me to the disadvantage of being called upon to answer an argument when I have not got the materials from which alone that argument can be answered.

Chairman.] Sir Horace Davey, I think you need not be under any apprehension; I think the Committee will adhere to what we said. We are not trying Abdul Huk on a criminal charge, and the Committee will take care to have that view in their minds; but we are hearing, Mr. Mayne simply as giving us a narrative of the transaction; and we shall make such use of his propositions as we may think proper. But as I stated (with the approbation of the Committee) we cannot try Abdul Huk on a criminal charge here, and that remains in our mind.

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Mr. Mayne.] Certainly not.

Chairman.] This is the history of the concession, and we will utilise it in the way we think right. Will you be good enough, Mr. Mayne, to refer the Committee to this document in which you say the reference is quoted from the other, but only partially.

Mr. Mayne.] It is at page 6, about line 15: "Further, when after my return to India, the late Minister was made acquainted by my memorandum of 1st October 1882 with the manner in which I had, *unassisted*, conducted the negotiations, he remarked in his memorandum of 10th January 1883 sanctioning the acceptance of the scheme, 'although I had no mean opinion of his ability when I deputed him on this business. The manner in which he conducted it is far beyond my expectation. I trust he will adhere to the course he has hitherto pursued, and entitle himself to the reward which follows in the footsteps of honest and faithful conduct in the public service.'" You see, Sir, it is a different translation, but substantially the same as we have got it in Urdu, and you will observe it stops at "service," and does not go on to make use of the phrase which appears in the Buff Book: "You can yourself appropriate the whole of the commission agreed upon in consideration of your good and valuable services."

Sir Horace Davey.] I was not allowed to put that book in.

Mr. Mayne.] But, Sir, what is much more important as showing that Abdul Huk did not consider that he had the authority of his Government to receive the particular bribe from the concessionnaires, which, in point of fact, he has received. We find from the evidence of Madhi Ali that when he was expressly questioned upon this subject, both in October 1887, and in the beginning of 1888—

Chairman.] The view of the Committee is that you should tell us. Why do you suggest he did not put in the concluding words which you gave him authority to take it for himself. What was the advantage to him in stating this in the document of the 10th January 1883, to the extent he did, and then stopping short of those words, and not putting in the words which gave him authority to take the whole?

Mr. Mayne.] I really do not know, Sir. The only thing I can suggest is that this letter finished with the words, "but this is secret"; and he might, perhaps, have thought that this seemed to cast some reflection upon the late Sir Salar Jung as doing an act as Prime Minister which ought to be public and above board, and which was not so, and that on that account he left out any reference to it in putting in the document to Sir Salar Jung, senior. That is the only suggestion I can conceive.

Chairman.] Are you suggesting that Sir Salar Jung did something wrong in this?

Mr. Mayne.] No, I do not.

Chairman.] Then, even although it was "secret," he was a Member of the Government, it may not be published to the public. This is a communication by him to the Government. Why should not he set out the whole document, from your point of view.

Mr. Mayne.] I merely call attention to the fact that he did not.

Chairman.] The object of having counsel to address us is to obtain the propositions put forward, and I ask you, as representing the Nizam's Government, Have you any suggestion to make why this should be done, or what is your proposition in relation to it?

Mr. Mayne.] The proposition I am on, Sir, is that those documents have never been used in support of his claim to take remuneration for the mining scheme; that the two documents of December 1881 and January 1882, when they were put forward were put forward in support of his claim

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claim to the commission under the railway scheme; and then I say the fact is before the Committee, whatever the conclusion they may arrive at.

Chairman.] The Committee must ask you to pass very lightly over the part of the case. You must keep bringing this nearer home to what is going on in this country. We should not be keeping faith with what was stated to Sir Horace Davy if we allowed you to make a special charge against Abdul Huk. This is rather wide, and you must proceed to the part of the case which comes nearer home.

Mr. Mayne.] Then, Sir, I may be allowed, perhaps, to point out the evidence in support of my further proposition, that Watson and Stewart did not, themselves, in point of fact, believe that Abdul Huk had the authority he stated himself to have.

Chairman.] Now show that, the authority to do what; to take or to give?

Mr. Mayne.] To give.

Chairman.] How do you mean "to give"?

Mr. Mayne.] To take the quarter; that is to say, that they believed that they were bribing him, corruptly, and not giving him something that his Government authorised him to receive. That is my proposition; and if it is true it has a very material bearing upon the view, the Committee will take as to whether this was a fraud upon the concession carried out with the assistance of Abdul Huk, or was not?

Now, Sir, I shall briefly point your attention to the serious facts. This authority, such as it was, in January 1882 was given under the circumstances I have mentioned. At that time Watson had made no offer whatever. At that time Watson was not in the affair. Watson's first offer was made in November 1882; therefore clearly the authority did not refer in terms to what Watson had offered, or was about to offer. Then Abdul Huk comes back again in 1883. At that time Salar Jung was dead, and Abdul Huk comes back with fresh and explicit letters of instruction from the fresh Prime Minister, which letters of instruction undoubtedly did not contain any authority of the sort. Now, Sir, I say Watson could hardly have supposed that a very explicit authority of this character given by one Prime Minister in reference to one state of things could continue to apply *ipso facto* to another state of things under another Prime Minister. And in addition to that he had the fact presented to his mind by every one of the concessions drawn up by White and Borrett, and the subsequent ones that under Section 15 he was expressly prohibited from having any monetary dealings with any member of the Nizam's Government, or any noblemen in his service. *Prima facie*, therefore, he was certainly driven to inquire, if he honestly relied upon this document, as to whether the document was genuine, and was still in force; he admits that no inquiry was made of the Nizam's Government. No inquiry was made of the India Office. No inquiry was made of Mr. Cordery. Then when the money is ultimately given under this document we find it is given with every circumstance of secrecy and concealment. The shares are first of all allotted in the name of Winter and not of Abdul Huk; then from Winter's name they are changed into shares payable to bearer, so that no dealing of Abdul Huk leaves any trace behind it which would evidence that he had ever been in possession of the shares at all. Then when Abdul Huk is dealing with those shares (and I only refer to this as bearing upon the question of fraud) we find that extraordinary comedy going on between Abdul Huk and Mr. Watson, wherein Abdul Huk and Watson being together in the same room, and Abdul Huk (having the shares which he is prepared to dispose of) writes, or gets Watson to write to him a letter saying how difficult and almost impossible it is to get the shares which Abdul Huk is willing to hand over, suggesting a particular way of getting them; then he wrote back

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back a letter to Mr. Watson, who is before him, gratefully accepting this proposal; then it is carried out in such a manner as shall leave no trace behind it that Abdul Huk had anything to do with those shares. Well, Sir, all those circumstances clearly show that Watson did not *bona fide* believe that in giving this large sum of money to Abdul Huk he was doing an act which was open and aboveboard and authorised by his Government. That is the first proposition that I put before you.

Now, Sir, the next proposition that I put before you (and upon that I shall not spend more than two or three minutes) is this, that it was understood by all the parties to the concession that the difference between the nominal capital and the subscribed capital was to be reserved for the legitimate purposes of the Company. The whole evidence upon this point is so thoroughly within the recollection of the Committee that I do not propose to go into it at all. I simply say that there can be no doubt that White and Borrett, the Nizam's Government, the Government of India, and the Secretary of State for India in Council, all believed that whatever changes were from time to time made as to the proportions of the subscribed capital to the nominal capital, and of the paid-up capital to the subscribed capital, one principle underlay the negotiation from first to last, namely, that the amount which was first subscribed was to be limited, as it was limited in order to suit the immediate necessities of the Company, and that the balance was to be reserved honestly and *bona fide* for the purposes of working out the future events of the company.

Chairman.] Now, Mr. Mayne, will you kindly assist the Committee by answering two questions: first, what do you say on the part of the Nizam's Government as to the proper legal reading of the concession. Do you say that that supports your contention that the difference between the nominal capital and the issued capital was all to go to work, the Company or not?

Mr. Mayne.] I do not say, Sir, that it supports it to this extent; that it excludes a different meaning. I cannot go further than this, that it is completely consistent with the meaning that they put upon it which was—

Chairman.] I am not asking that; what meaning do you put upon it. If you had to determine whether, under that contract as it stands the concessionaries or the Company, were bound to apply the difference between the nominal capital and the re-issued capital to the Company.

Mr. Mayne.] Upon the document as it stands?

Chairman.] Yes.

Mr. Mayne.] Without any difference whatever of meaning put upon it by one party or the other?

Chairman.] Yes.

Mr. Mayne.] I should say that it was an ambiguous document.

Chairman.] That we understand.

Mr. Mayne.] I should say that there is nothing in that document, if you take it apart from all the evidence of dealing between the parties which limits it in the manner in which I say, as a matter of fact, it must be limited.

Chairman.] Pardon me, if I can I want to soften the process. We perfectly understand the proposition you say it to be read without extensive evidence as ambiguous. Then your contention is that from all that took place before certainly, the Government, and probably the concessionaries, anticipated the construction which you wish to put upon it, namely, that the difference was to be spent on the Company.

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Mr. Mayne.] Yes.

Chairman.] That is your first proposition?

Mr. Mayne.] Yes, then I say——

Chairman.] Will you excuse me one amount. Then, secondly, we would like to know if that is so; how were the concessionnaires to be paid; were they to have anything.

Mr. Mayne.] Yes.

Chairman.] What?

Mr. Mayne.] If you will allow me, that is a point I shall touch on immediately after this.

Chairman.] I want to keep you to these points.

Mr. Mayne.] That is the very next point I am going out. First, to my mind, it stands in this position *primâ facie*. I say the document is ambiguous. Yes, that I understand.

Chairman.] Yes, that I understand.

Mr. Mayne.] But I say it must be read with all that took place between the parties.

Chairman.] Yes, we understand that.

Mr. Mayne.] And the proposition that I put forward is this; that on one side of the contract not only the meaning the meaning was believed to exist but that all parties upon one side of the contract put forward openly, with the knowledge of the other party, what meaning they put upon it.

Chairman.] That we understand.

Mr. Mayne.] And that the other party (Mr. Winter, in his letter of the 16th December 1884), not only acquiesced in it, but practically put the same meaning upon it himself.

Chairman.] That is the words "new issue" you refer to?

Mr. Mayne.] Yes.

Chairman.] "First issue."

Mr. Mayne.] Yes.

Chairman.] We have all that.

Mr. Mayne.] And that he accepted that document as ultimately drawn in consequence of the changes imposed upon it by the Government of India in the memoranda A and B, knowing perfectly well what the meaning was of the Nizam's Government, and those who were on one side of the contract, and accepting that meaning for himself and for Mr. Watson on the other side. And, Sir, the proposition that I put forward for your acceptance upon this point is this: that where a contract is capable of two meanings, if one party signs under the express belief that the contract bears one meaning, and that other party accepts his signature knowing of that belief and not suggesting that the contract bears any other meaning, he cannot afterwards set up a different meaning as a true one. That is a proposition, Sir, that I put forward for your acceptance.

Now, Sir, the next proposition with which I propose to deal is the suggestion of Mr. Watson that the nominal capital of 1,000,000 £. was fixed at that amount for the purpose of leaving a large margin, out of which he might himself be rewarded for his former services in connection with the railway concession, and that in taking the entire balance of 850,000 £. he was, in point of fact, carrying out the intentions of the Nizam's Government. Now, Sir, we heard a good deal at the beginning of his evidence

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of his services in regard to the railway concession, but I think we heard very little of them at the end. I am not going to discuss the cross-examination——

Chairman.] Oh, no; we have got it all.

Mr. Mayne.] I am not going to discuss the cross-examination which was directed to him to Mr. Batten and others as to what the Nizam's Government did get out of the railway concession.

Chairman.] Yes; we have all this in our minds, and as to the 100,000 £. paid to him for his services.

Mr. Mayne.] I think Mr. Watson cannot get behind his own agreement with the Nizam's Government of the 27th December 1883, in which it was expressly stipulated what the remuneration he was to get was. It was to be 100,000 £., minus the expense of bringing out the railway company. It was expressly stipulated how that should be paid, namely, by an issue of railway shares which were to be handed over to him, and then came his own release that he had no further claim whatever upon the Government, so that I think any reserve of merit arising from his services to the Government in respect to the railway company may be put out of the question.

Now, Sir, I come to answer your question, What Mr. Watson was to receive for the concession. Undoubtedly Mr. Watson was to receive, and was intended to receive, and would under any circumstances have received something very handsome for this concession; but, in the first place, I say it does not at all necessarily follow that the intention of the parties was that he should receive this reward by means of selling the concession to somebody else. When that was the intention, as it was in the case of the railway company, we find that the Nizam's Government was perfectly able to express that intention, and to provide for it, and to provide for it in a manner which did justice to all parties.

Now, look at the position of things. Mr. Watson considered then, and he considers now, that this concession which, in fact, gives them a monopoly of the mineral resources of the Hyderabad State for five years was a valuable and a very valuable thing to him. He, of course, could not raise the whole of the money to work out these minerals himself. The ordinary mode in which a person does is this: he goes into the City and gets up a company in which he has his own amount of shares under certain control as to the mode in which they are sold. Now, Sir, Mr. Watson tells us that even with the available capital of 150,000 £. still existing, he hopes to be able to work the Singareni Coal Mine so as to produce a dividend of 6 per cent. upon a million of money. If he is able to produce with 150,000 £. a dividend of 6 per cent. upon a million of money, it follows that if he had only issued his 150,000 £. shares, there was 150,000 £. Those shares would have produced a dividend of 40 per cent. Now I need hardly say that Mr. Watson could have worked his company so as to produce a dividend upon 150,000 £. of 40 or 20 per cent., or anything approaching to it, he could have sold his shares at an enormous premium; he could then have issued fresh share capital in which he and his friends would have got their shares at par and sold them again at an enormous premium, and he would have made a very valuable thing in that way. But, Sir, I do not say that there is anything in the concession which absolutely prohibits the concessionnaires from selling that concession to any persons who are willing to purchase it; I go so far as to admit on the part of the Nizam that if they had sold their concession to a company *bonâ fide* for a fair and reasonable amount that nobody would have objected to such a transaction, or an issue of shares by the Company for the purpose of paying that fair and reasonable amount.

Chairman.] Then Mr. Mayne, the Committee understand your view to be that if the Company when formed in the interests of all those then shareholders

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shareholders and persons who would hereafter take shares, had had independent fair advice of valuers who knew Hyderabad, or valuers giving them information as to the prospect of gold and diamonds being found, and a statement of the value of the coalfields, and advised them that this should be worth probably to a company who was to find the capital for working it and developing it some 50,000*l.* or 100,000*l.* and had paid that sum to the concessionnaires, you would not have objected to it on the part of the Nizam's Government.

Mr. Mayne.] That is so.

Chairman.] We quite understand your proposition.

Mr. Mayne.] That is the proposition I put before you, and I say the amount paid was an unfair and unreasonable amount, and it was so unfair and unreasonable that it amounted to a fraud upon the entire concession.

Now, sir, Mr. Watson and Mr. Batten say that there can be no fraud in this transaction, because they say that all the shareholders assented, and there were no persons whose interests were to be concerned or considered except the shareholders; but, Sir, I look upon that as a wholly false view of the position of Messrs. Watson and Stewart as concessionnaires and promoters of a company selling their concession. Now, Sir, of course this is not the place to argue questions of this sort.

Chairman.] No, it is not; we cannot have that.

Mr. Mayne.] But I think I might be allowed, and it might interest those members of the Committee who are not professional, if I were to read a dozen lines from a judgment of Lord Cairns in a very well-known case in which he states what the position of promoters is.

Chairman.] We are very loth to enter into this legal argument.

Mr. Mayne.] No, I do not want to enter into it.

Chairman.] If you give us the reference to the case that will do.

Mr. Mayne.] It is in three Indian appeals.

Chairman.] What is the case you refer to?

Mr. Mayne.] The case of *Erlanger v. The New Sombrero Phosphate Company*.

Chairman.] I think, Mr. Mayne, if you will spare us that legal argument—

Mr. Mayne.] Very good, Sir. Permit me to read these few last words.

Chairman.] The point is that we shall have to have a legal argument from all the counsel at the Bar if that is allowed. We are not really to determine the absolute legal rights of the parties here.

Mr. Mayne.] Very good, Sir; I say that properly he could only have sold to a body of directors who are able to exercise, and did in point of fact exercise an independent judgment upon the transaction they were entering into. Now, Sir, we know as a matter of fact there were eight shareholders.

Chairman.] Mr. Mayne, we are fully in possession of all those facts. We have been for days inquiring into them.

Mr. Mayne.] Very good, Sir, then I go no further on that point. I say that is the position of affairs. It is a purchase made by persons who, Mr. Watson says, exercised no judgment or discretion upon the matter, and had no choice except to register his directions. That, Sir, is the view I put before you. Now, Sir, the next point I wish to refer you to is, What is

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is the injury suffered by the Nizam's Government in consequence of this fraud?

Chairman.] If you please, shortly then, please.

Mr. Mayne.] That I shall also deal with as shortly as I can.

Chairman.] If you please.

Mr. Mayne.] Mr. Watson says no injury has been suffered, either by the Company or by the Nizam's Government. With the Company I have nothing to do; but I am very much concerned with it as regards the Nizam's Government. Now, Sir, let me first of all call your attention to the position of the Nizam's Government under this concession. He has for five years surrendered to the concessionnaires and their representatives all right to prospect for mineral resources. He has surrendered even the right to prospect or to look out for these resources himself. Everything that is to be done in the way of prospecting, working, and so forth, must be done by the concessionnaires, by the Company that they create, or by their nominees and other persons whom they permit to take their place. Now, first of all, what is the position of the Nizam's Government, supposing the Company continues in its present position? In its present position it is this: that whereas the Nizam's Government intended to have a Company with a million of money which should start on a certain part of the fringe of this scheme, with a capital of 150,000*l.*, and which, as the scheme developed, should have sums reaching to 1,000,000*l.*, with which to carry out the transaction. He has now got a Company of 150,000*l.* and nothing else. Mr. Watson tells us that that 150,000*l.* is sufficient fully and adequately to develop the Singareni mines, and also to prospect for others, but to do no more than prospect for others. Now, Sir, I may call your attention to the fact that in that memorandum of Mr. Watson's, which we are not to be allowed to call a "prospectus," Mr. Watson did not then consider that the 150,000*l.* was competent to do anything except prospect, and Mr. Batten, in his evidence, I think you will find at page—

Chairman.] We have all this evidence fully before us, Mr. Mayne, please.

Mr. Mayne.] Yes, that is so. If, therefore, the Company remains in its position there is no doubt the Company will be greatly injured, but it is said it will not be injured on account of the two powers that are given by the concession. One is that of raising fresh capital the other is that of constituting new companies. Now, first of all, as to the new capital. That new capital, I imagine, will be raised in one or other of two ways.

Chairman.] As to the effect of this, I think it is very palpable, if you will allow me. The Committee perfectly understand that 850,000*l.*, and that sum alone, less a fair sum (which you contend is to be paid) for the concession, would be the available capital with which to work the Company; then, if now it is to be increased by the capital of a subsidiary company or by the issue of debentures or preference shares, the risk of obtaining a return upon this money (which may or may not be obtained), it would be a weakening and a watering, as it were, of the former capital of the Company, and that would be less beneficial to the Nizam's Government than if he had the money in hand. We so well appreciate this that you need not pursue it.

Mr. Mayne.] I say, so far as regards raising money, there would be the difficulty, and an absolute impossibility of raising money by the way of fresh share capital, because the dividend would have to be spread over the whole.

Chairman.] That is not for the Nizam.

Mr. Mayne.] As regards raising it by preference shares, I say that is a course which the shareholders would not be willing to adopt, because at present

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present they have to give seventeen-twentieths of their profits to pay dividend upon the 850,000 £, and it is not human nature to suppose that they will be willing to bring in a fresh set of persons to sweep away the remaining three-twentieths into their own pockets; therefore, I say that mode of raising fresh capital is rendered ineffectual by what I will call this fraud in the inception. Then, as regards substituting new companies, Mr. Watson says that he could sell the gold mine for a million of money, I say he cannot do this because he is not the Nizam. He has not got the ownership of the mine. All he has got is the right under the concession to prospect and find out (or imagine he has found out), that there is a mine in a particular place, then to plot out the particular piece of ground in which he says the mine is, and then to take the lease of it and to work that at a "fair rent." I will not go into any elaborate discussion as to the meaning of this "fair rent," but I submit it is quite clear that it would be calculated in this process; you would put on one side the full costs of working the mine, plus, no doubt a liberal and an ample profit for the risk and for interest on capital; on the other hand, you would put the result of working the mine, and the balance would be the "fair rent."

Chairman.] We quite understand this.

Mr. Mayne.] Now, Sir, I do not dispute that if the Company had gone on as it was intended to have gone on, if the Company had opened and worked a new mine, had ascertained the value of that mine, or had got the royalty fixed upon that mine, they would be able to sell it to a new company.

Chairman.] This is detail with which we are thoroughly conversant; we are anxious to go upon the broad principle.

Mr. Mayne.] If so, Sir, I pass away from that. Now, in the next point, and one I shall call your attention to, is the suggestion that will probably be made that the Nizam's Government has acquiesced expressly or impliedly by way of *laches* in this, that he had knowledge of it.

Chairman.] That may affect the legal position of the parties, but that will not affect the moral position in relation to the public here, or in relation to the Nizam's Government, surely.

Mr. Mayne.] If you do not wish to hear me——

Chairman.] Surely *laches* may affect some legal rights, but they will not affect our Report for a moment.

Mr. Mayne.] What I was going to call your attention to is this, that up to May 1887 everything that passed to the Nizam's Government came through Abdul Huk, who put forward or kept back as much as he wished, and who, as I say, was bribed to do so in the interests of Mr. Watson. In May 1887 he did, no doubt, put forward this memorandum in which this 850,000 £ transaction was mentioned, but he put it forward at a time when the Minister, who knew everything about the matter, was absent when it was submitted to the Nizam (a boy of 20), who knew nothing about it, with the advice of Colonel Marshall and Osman Jah and Mahdi Ali, who also knew nothing about it. And I wish to call your attention, Sir, to the very remarkable fact that in that memorandum he expressly makes a misstatement as to the effect of this concession, which would have the effect of stopping all inquiry or all steps that were taken, because he assumes and takes it for granted that the meaning and object of the concession was that everything beyond the first subscribed capital was to be then and there handed over to the concessionnaires.

Chairman.] Very well, we understand that.

Mr. Mayne.] Then the full thing comes out before the Ministers in that Budget which is published in 1888, and that he is suspended with remarks which the Committee has again got before it, showing what were the views

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views of the Nizam's Government. Sir, those are all the observations I propose to make.

Chairman.] Now will the counsel of Abdul Huk and Mr. Watson arrange between themselves; we will hear either, whichever they prefer.

Sir Horace Davey.] I have a very few words to say, and I shall be disposed of. I shall not, Sir, in the few observations I propose to address to the Committee follow the bad example which has been set me by my learned friend, Mr. Mayne, and make observations upon matters which may or may not form this subject of litigation between Abdul Huk and his Government elsewhere. I will only, Sir, make this remark, and I will confine my observations on Abdul Huk's part to that which is particularly before the Committee, and which forms the first part of the reference to the honourable Committee, namely, circumstances under which the concession received its present shape; but I will only make this one observation, Sir: that my learned friend, Mr. Mayne; I am not replying to his speech——

Chairman.] No.

Sir Horace Davey.] But I will only make this one observation. My learned friend, Mr. Mayne's, elaborate attempt to prove that those letters did not justify the course which Abdul Huk conceived himself entitled to take with regard to receiving remuneration from the concessionnaires is a question upon which I cannot place the evidence before you; but I can only say this, that the ingenious point made by my learned friend that the letter was intended to refer only to the proposal to be made by the Bombay Syndicate would not stand one minute's investigation of the real facts; because the letters at any rate were certainly treated by all parties, and by the Nizam's Government, as referring to the railway scheme when it was severed from the earlier scheme, and if that was so in regard to the railway letters, the principal one of which was earlier in date than the letter of 5th January 1882, I do not see why at any rate Abdul Huk may not have a plausible case to show the tribunal before whom it may come that that letter also was intended to refer to the mining concession in whatever form it might ultimately be granted.

Now, Sir, the two parts of Abdul Huk's transaction with regard to what took place in this country are, first the form which the concession took. My contention upon that, and I think I shall be able to make it good to the honourable Committee without trespassing on their indulgence by reading the documents at length to them, and I shall be obliged if I am stopped whenever I am repeating things which are at present before them) is that Abdul Huk is absolutely free from responsibility as to the form which the concession took. Either the concession justified what Mr. Watson and his friends did, or it did not; but whether it did or did not this at least is, I believe, perfectly conclusively proved by the evidence, that whatever the form of the concession was Abdul Huk at least has no responsibility in that matter. With regard to the other matter, Sir, which has been commented upon, you will not expect me to defend a transaction in which an agent for purchase sells his own property to the Company. I am not here before you, Sir, to justify that transaction, and I do not intend to do so.

Chairman.] I beg your pardon. I do not understand what you mean when you say "An agent for purchase sells his own property to the Company"?

Sir Horace Davey.] I mean with regard to the sale of the shares to the Nizam's Government.

Chairman.] That was not to the Company.

Sir Horace Davey.] No, no.

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Chairman.] You said "Company."

Sir Horace Davey.] I mean the Government. I thought I had said "Government."

Chairman.] That is to his principal?

Sir Horace Davey.] To his principal. You will not expect me, Sir, I am sure, to appear before you to justify either legally or morally a transaction in which an agent for purchase sells his own property secretly to the Government. I do not know what Abdul Huk's defence may be; at least, I do not know it in the form in which I can place it before you. It may be that he considers that the officers of the Government were informed, and I believe he does take that view; but, Sir, at any rate, he has been advised, and well advised, by counsel of distinction in India, and he at once acted on their advice, and has returned every sixpence of the money, with 5 per cent. interest to the Nizam's Government, taken back the shares, and the Nizam's Government, I believe, have made a handsome profit of 10,000 l.

Chairman.] Made what?

Sir Horace Davey.] Made a handsome profit of 10,000 l. through the difference in exchange, because the return has been made in sterling, not in rupees; a handsome profit of 10,000 l. in the difference of the exchange between the time at which the shares were purchased, and the time at which they were returned.

Chairman.] Some good come out of evil.

Sir Horace Davey.] Yes, Sir. I will therefore confine the few observations I am now going to make (I shall not say anything more about that transaction) to the purpose of showing how the draft received its present form, and how Abdul Huk, at any rate, is absolutely free from blame for the draft. I do not say anybody is to blame, for I think there has been a great misunderstanding about this concession; but Abdul Huk is free from blame in the matter. Sir, I will not remind you, and I will not read you the documents; what I am going to say is all contained in the Parliamentary Papers. I will remind you that the original proposal of the 7th November 1882, made by Messrs. Watson and Stewart, was to form a company for working the mines which should undertake to expend 100,000 l. That was the proposal. There was not one single thing said as to what the capital of the Company might be, or how much subscribed capital they were to have; what capital was to be called up; all they proposed to undertake was that the Company should expend 100,000 l. Sir, that proposal was approved by the Government of India by a Despatch which is before you, dated 15th March 1883. It was approved in terms, and an extract is set out from that Despatch by the Parliamentary Papers, and they approve it in principle, having the proposal before them. Now I pause there. The Indian Government therefore approved of the Nizam's Government making a concession under which no obligation was undertaken by the concessionaires, except that they were to expend 100,000 l., not a word about subscribed capital or anything else. Upon that Despatch of the 15th March, the authority of the 30th March 1883, which is also before the honourable Committee, and which I will not delay you with or trouble you by reading, was written by the Council of Regency a short time after the great Sir Salar Jung's death in which, acting on that approval of the Government of India, they authorise and require Abdul Huk to go to England to negotiate a concession upon those terms, in accordance with that proposal, that proposal being imposing merely an obligation to expend 100,000 l.

Sir, when Abdul Huk comes to England he communicates properly with the India Office. The India Office, it has not been proved, but it has been assumed, and I dare say it is right, recommended him, wisely, to procure the services of solicitors of respectability and distinction in London; and

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and I suppose they recommended him to go, they could not send him to any more fitting advisers, to Messrs. White and Borrett, the well-known solicitors in Whitehall-place. Messrs. White and Borrett prepared a draft, and it has been stated that the draft was settled by one gentleman at least who is now a person of great distinction, and occupies an important judicial place. Sir, in that draft they provided that a company should be formed, with a capital. They knew what they were talking about, and the learned gentleman who settled that draft knew what he was talking about. That draft provided in terms that the Company should have the nominal capital of a million, a subscribed capital of at least half a million, and a paid-up capital of, I forget what it is, 100,000 l., I think it is. Sir, the gentleman who prepared that draft knew what they were talking about. But when it got out to India the officials of the Indian Government apparently knew no more about the subject of the formation of companies, or the law of companies, or the meaning of terms or, I may say, were as ignorant of the subject apparently, I only judge from their letters, as a baby. They show the most lamentable ignorance of the whole subject. Now, Sir, that draft was prepared by Messrs. White and Borrett, and do you suppose, Sir, that if it was intended by that draft that the whole million was to be subscribed, that the experienced solicitors who prepared it, and the skilled and experienced counsel who settled it would not have put it into the draft. They knew what they were talking about; they knew that capital might be paid up in one way or another; they knew that capital might be paid up in cash or be paid up in the form of paid-up shares, or partly paid-up shares in consideration of something to be sold to the Company, but they carefully provide that the nominal capital shall be so much, the subscribed capital so much, and the paid-up capital so much, and there is no obligation or limit on the face of the draft concession limiting the amount which was to be issued in the form of fully paid-up shares for the concession.

Chairman.] Sir Horace Davey, these arguments of yours scarcely affect the case of Abdul Huk separate from the Company.

Sir Horace Davey.] Yes, Sir; if it is said, as my learned friend has said, that he was in collusion for the purpose of procuring a concession which would enable the concessionaires to appropriate for themselves 850,000 l. I say these had nothing to do with that. Sir, I will not pursue that subject.

Now I go to India. I pass from the shores of England, reminding you that Abdul Huk accepted that draft without amendment, notwithstanding the protest of Mr. Watson and accepted it as it was prepared for him by Messrs. White and Borrett. I go to India, the draft goes out whether with Abdul Huk or not I do not know. Mr. Winter negotiates personally with Sir Salar Jung. It cannot be pretended that Sir Salar Jung is responsible for the reduction in the amount of the subscribed capital from 500,000 l. to 150,000 l. Personally I think that reduction most unfortunate, and I think most people will agree in that. But Abdul Huk is not responsible.

Chairman.] We know his protest against it. We know that he protested against it.

Sir Horace Davey.] And the evidence, so far as it goes is that he protested against it and that his advice was to maintain the subscribed capital at "half-a-million." Sir, what was the action of the Indian Government? Well, I do not hesitate to say that it was entirely through the ignorant and mischievous action of the Indian Government that that draft concession got into the form in which it is at present. But what I do want to point out to you Sir, is that the only alteration between the draft as prepared by Messrs. White and Borrett in this clause (I am not speaking of some other minor alterations) and in the concession as it was finally

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finally agreed upon is in the figures, so that whatever the draft meant when it left the workshop, I mean the office of Messrs. White and Borrett and the chambers of the counsel who settled it, *that* it meant when the concession was finally settled. But, Sir, we have had various versions of what the Indian Government thought, and the last version is, perhaps, the most amazing, and that comes from Mr. Cordery. Now, I have not the slightest doubt that Mr. Cordery is a gentleman whose services are of inestimable value to the Indian public, that he is a diplomatist, I know he is a scholar, and I have no doubt he is a—

Chairman.] But we do not think this affects Abdul Huk.

Sir Horace Davey.] But, Sir, he does not know anything about the law of companies, and his version is that he thought the 150,000 £. was to be a first call. Well, of course, it would be idle to comment upon that, because nobody can look at the document without seeing that he was entirely mistaken. But it so happens that if the draft had been left in the form in which White and Borrett settled it, that would have been the effect of it, because the subscribed capital was to be 500,000 £. of called-up capital (the first call), 150,000 £.; so that it would have had the effect in that line which Mr. Cordery says had been the general desire.

Chairman.] The first document left 500,000 £. to be dealt with at large in any way they chose.

Sir Horace Davey.] Certainly.

Chairman.] Your observation only applies *quoad* the 500,000 £.

Sir Horace Davey.] I say that was intended, and, if I may say so, I cannot myself appreciate the importance or materiality of what there has been so much doubt about, the "first issue." Evidently Mr. Winter was referring to the sum of 500,000 £.; but where there is no obligation—

Chairman.] Sir Horace Davey, a member of the Committee, asks (we wish to bring you to your proportions rather than to your argument) was it intended that as the deed was originally drawn by Messrs. White and Borrett with "500,000 £." the difference between the 500,000 £. to be called up and the nominal capital of a million was to go to the concessionnaires.

Sir Horace Davey.] Not to go necessarily to the concessionnaires, but the Company were to deal with it.

Chairman.] To deal with it; how if the capital is not called up?

Sir Horace Davey.] In any way they pleased.

Chairman.] No, no.

Sir Horace Davey.] They might buy the concession for cash; they might buy the concession for a number of fully paid-up shares; they might buy the concession for debentures.

Chairman.] That is, that the Company when formed might take out of the nominal capital and give to Watson anything that they liked.

Sir Horace Davey.] If they liked.

Chairman.] Then you say that they could give him that?

Sir Horace Davey.] Certainly.

Chairman.] But that it should not be taken as of right by Watson?

Sir Horace Davey.] Oh, no; the Company is a body that can make its own contract.

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Chairman.] Just so; its own reasonable contract.

Sir Horace Davey.] Perhaps I am unable to realise; I am too much in the habit of looking at things from another point of view; but I do not see what this is all about. Either that was a contract with the Company or it was not. If it was made under the circumstances which Mr. Watson stated, and other shareholders came in, whether by purchase or otherwise, and they did not like the bargain, they would have a right to say as shareholders did say in the case my learned friend referred to, Erlanger's case, "This is no contract binding upon the Company, because you made it with yourselves."

Chairman.] You are now getting away from the case of Abdul Huk. It was in answer to my question probably, but we are getting far away from Abdul Huk.

Sir Horace Davey.] I only want to say this, Sir, as you asked me the question.

Chairman.] I did.

Sir Horace Davey.] The concession shows that the Company is to be formed for the purpose of acquiring the concession. Now I will ask anyone of those experienced gentlemen that I see before me and I have the honour of addressing. —

Chairman.] No, no.

Sir Horace Davey.] Whether they ever knew of a company formed for the purpose of acquiring a concession which it was not to pay for?

Chairman.] No, Sir Horace, please, you are not arguing Abdul Huk's case. Now we must keep you, if you please, to Abdul Huk's case; this is the concession.

Sir Horace Davey.] I will put it in this way —

Chairman.] Do you say that Abdul Huk is responsible for the form in which the concession is drawn or not?

Sir Horace Davey.] I say he is not.

Chairman.] Is that your point?

Sir Horace Davey.] I say that he acted entirely under the advice of good solicitors, and so far as the evidence goes his advice was that the concession should be retained in the form in which it originally was.

Chairman.] If that is so is it any part of your argument to discuss what is the effect of it as drawn. You say he is not responsible for it; is not that the force of your observation?

Sir Horace Davey.] That may be so.

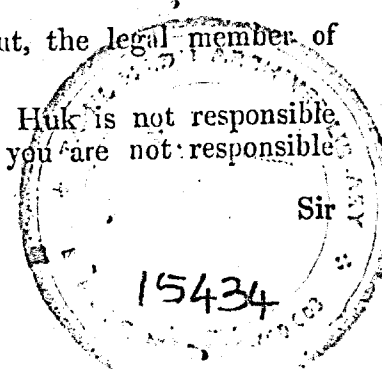
Chairman.] Then if he is not responsible for it why discuss that for which he is not responsible?

Sir Horace Davey.] Very well then, I will leave my learned friends who are more interested, to do so. I do not think under the circumstances I should be justified in going further. I will only point out this, that the concession in its present form is approved in a despatch signed by every single member of the Indian Government.

Chairman.] If you please?

Sir Horace Davey.] Including, I may point out, the legal member of the Government.

Chairman.] Still, Sir Horace Davey, if Abdul Huk is not responsible for it, how does that assist you, that is to say, if you are not responsible for it?



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Sir *Horace Davey*.] It does, indirectly, Sir, very much.

Chairman.] No, no; it only proves that he was wiser than they, according to your argument?

Sir *Horace Davey*.] I will not pursue that argument. It is said that Abdul Huk received one-fourth of the capital. Undoubtedly he did. If that is wrong, the law Courts are open. The Nizam's Government can, of course, recover from their own agent the sum he has received.

Chairman.] It is repaid.

Sir *Horace Davey*.] There is no doubt about that.

Chairman.] They have got it.

Sir *Horace Davey*.] If he was not justified by the laws or by the documents on which he relies; then he will not be able to retain what he received as against his own principles. There cannot be any doubt about that. Nobody, either a lawyer or a layman, can have any doubt about that. But, Sir, I am not going to say anything more about that, because I understand, and am instructed, that the Nizam's Government are threatening possible litigation upon that subject. And more than that, Sir—

Chairman.] But it is paid back, we understand, with 10,000 *l.* advantage to the Nizam.

Sir *Horace Davey*.] No Sir; do not you see; they have given back the shares. Now they say we will have both the shares and the money.

Chairman.] You may be sure the Committee will not determine that.

Sir *Horace Davey*.] If you please, Sir. Now, Sir, I am quite sure it was not done with any design, but I regret that imputations have been thrown out, both in the witness chair and elsewhere, as to documents having been forged on documents having been surreptitiously inserted amongst the Residency files. Sir, I do not want to discuss this question.

Chairman.] Mr. Cordery set that right. It was first as regards the two letters; he has corrected his evidence, and he says they are found; it is before us.

Sir *Horace Davey*.] I can only express my regret that that the charge should have been made on such slight grounds.

Mr. *Pember*.] (At 20 minutes to four.) May I ask you, Sir, whether you will sit after four o'clock?

Chairman.] We hope it may not be necessary, but we certainly intend to sit until we have heard all that Counsel have to say, whatever time that may be.

Mr. *Littler*.] Appearing as I do, Sir, for Mr. Watson, I have the interests to defend of a gentleman whose character and property are both seriously imperilled in this matter. You have already said you will decide no legal questions, but I am afraid that, unless your Report is in the direction in which you have said, it will be pointed, I can hardly see how you can avoid affecting Mr. Watson's fortunes probably to a certain extent, and probably also his character.

Now, Sir, the history of this transaction, I must ask you to think of a little from the beginning, because, unfortunately, I begin with the beginning, and go through to the very end. It is suggested that certain documents which we regard as being of very great importance, namely, those two letters could have applied first of all, not only to the previous part of the case with the Bombay Syndicate, but also solely to the railway question. Now to show that they do not apply to the Bombay Syndicate, I think it is tolerably

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tolerably clear from what Mr. Winter stated as to the condition of things which he found, and which is not disputed. Mr. Winter told you that he went out there at the end of 1881.

Chairman.] What point are you on now? That is referring to Abdul Huk's right to have this commission.

Mr. *Littler*.] I am not going to defend his right, Sir; but what I am going to do is to defend our conduct in believing he had that right.

Chairman.] To take the quarter, you mean?

Mr. *Littler*.] The quarter is to become, in fact, any speculator's share?

Chairman. If you please.

Mr. *Littler*.] In 1881, as you know, Mr. Winter goes out to Bombay. In the very first inception of this matter Mr. Winter discusses the question, as he told you, and I am not going to repeat his evidence. He told you that he discussed the question, and at the very beginning he is informed about this very letter. At the beginning, after telling you what he had done out there in January 1882, he says (and I will refer you to one question; I will not read all the questions), 1309 is the reference, at page 70; I had better, perhaps, read it; it is the shortest way; it is only one very short question: "He showed that letter to you?—(A.) Yes. I came home. I can give you the exact date. I left Bombay on the 19th of January 1882 to put through the railway business and the mining business. (Q.) To put through where?—(A.) To put it through in the London market. (Q.) He showed you the letter then?—(A.) I saw that letter before; I came home and satisfied myself." Now, Sir, this is as plain as anything well can be, that at all events, at that time, Abdul Huk showed it to Winter with the intention that he should believe that it referred to the mining concession as well as the railway concession; because Mr. Watson at that time, and in fact all through whatever other people may have done, has always connected the mining concession and the railway concession together. He thought that he was going to get a great deal out of the mining concession, and that was the reason why he was contented to take that which (ultimately) under any circumstances, must have been a very small reward for putting through the very heavy concession with regard to the railway, on account of what he was going to get out of the mine. Therefore it must have been present to Mr. Winter what his object was. And you see, Sir, he shows the letters, one distinctly referring to the railway. The one of December you remember refers to the 83,000 *l.*; the one of January speaks generally; You are entitled to any reward you can get for the labours you have undertaken which are outside the duties of the Government. Now, fortified with that, and especially fortified with this, that on one of those memoranda there is a remark that it is to be kept secret; that is to say, kept secret from the world. It was to be shown, of course, to anyone who was entitled to know, but to be kept secret from the world. Mr. Winter does so. He comes home, he communicates it to Mr. Watson; he goes on with his negotiations; he submits a draft, or rather he gets a draft from White and Borrett, and then comes a little which I think I must trouble you with. I have gone very rapidly over the earlier part; but I should beg the Committee to notice the terms of the first proposal sent in by Mr. Watson and Mr. Stewart, which you will find at page 151 of the Notes.

Chairman.] Mr. Littler, the Committee are disposed to say to you considering how active Mr. Watson has been in this matter, that they are disposed to give you a little more latitude than other counsel have had and if you refer us to any document you think important we will take careful note of it. What is the document you are referring to now?

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Mr. *Littler*.] The document you will find on the Notes at pages 153 and 154. That is dated 7th November 1882, and signed by Watson and Stewart. Now, you will find that that proposes a very broad concession, and there is only one passage in that I wish to read; that will give the key-note, which I refer to it for, and that is that it is: "Such company, when incorporated, are to undertake, consistently with the terms of this proposal, the expenditure of 100,000 *l.* in the development and carrying out of the mines, minerals, and other objects and purposes of the concession, and are to take the place of the undersigned." So you see, Sir, what was contemplated by Mr. Watson from the very first, therefore (the key-note of his action), and what was in his mind and Mr. Winter's, was the expenditure of 100,000 *l.* only in the first instance; and it is expressly mentioned: "A capital of not less than 1,000,000 *l.*, with power to increase the capital by an issue of debentures or otherwise if necessary, and to transfer to such company all or any of the rights, privileges, and obligations of the concession." That is the very first thing in Mr. Watson and Mr. Winter's mind. Mr. Winter comes back again to England, and the draft of the concession ultimately prepared was prepared not by solicitors suggested by us in any way, but solicitors suggested by the India Office, solicitors of the highest standing, and there is not the slightest contradiction of the statement that Mr. Watson did not in the slightest degree interfere in the preparation of that draft. It was prepared under the advice of most eminent counsel by most able solicitors, and there is not the slightest doubt that that was done perfectly fairly and perfectly honestly by Messrs. White, Borrett, and White.

The next document I refer to is one on page 11 of the Parliamentary Blue Book, and that is the letter which encloses to Abdul Huk the draft prepared by White, Borrett, and White, in which they make a long commentary. Now I am not going to trouble you with any reading of that document; but again, I want just as a keynote, so that you will follow me to read just one or two passages. You will find a passage to this effect: They have "adopted the principle of requiring the concessionnaires to take up leases from time to time."

Chairman.] Yes.

Mr. *Littler*.] Now I pause there to say that what has been done does not in the slightest degree prevent any number of leases being taken up from time to time; and it does not prevent any number of leases being taken up on just and fair terms.

Chairman.] You are on this point, in reference to the question put by Mr. Labouchere to Mr. Morgan: How is rent to be ascertained under this lease; is it not to be ascertained after the commencement of the work in of the lease.

Mr. *Littler*.] No, Sir, certainly not. You will find in this very letter it is before. The fourth paragraph points it out. You will find that that carries it out.

Chairman.] The fourth paragraph of what?

Mr. *Littler*.] The fifth paragraph of this letter of Messrs. White, Borrett, and White.

Mr. *Labouchere*.] Yes, but there is a good deal since then.

Mr. *Littler*.] In the concession I have not the slightest hesitation in saying, and I think I shall be supported by eminent lawyers on your side of the table that the terms of the lease must be settled first. As you are on that point I will refer you at once to the concession at page 26 of the Blue Book. It is dated 7th January 1886; that is a copy I am reading from now; that is the actual one that was executed. You will find first of all in

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in Clause 4 of that deed that "The Government will from to time, at the expense of the concessionnaires or the Company, but free of any premium," and so on, "Grant to the Company or their licensed nominees (if any) and the said Company or their licensed nominees shall accept without any investigation of or objection to the title to such premises a lease of such premises for a term of 99 years from the date of these presents upon and subject to the terms and conditions hereinafter referred to." Then they are not to be bound, and so on. Then there is a provision as to "surface," as to the payment of rent, "the rate of land assessment," the privileges that shall be taken subject to certain interests, the lease is to contain proper power to work, power to empower the lessee to make roads; then to reserve all rights for working to themselves. Then Clause 11 says, "Every lease shall reserve, by way of rent, royalties on the amount of coal, raw ore, material, or substance won, and such royalties shall be fixed by agreement between a mining engineer to be appointed by the Government, and a mining engineer to be appointed by the lessee, or, in default of their agreement, by an experienced engineer in India or England, to be appointed by the Government of India, which said engineers and engineer respectively are hereinafter called the Mining Board, and the said Mining Board, in fixing such royalties, shall have regard to the quality of the coal, or of the ore, material, or substances to be worked," the percentage of ore, and so on. "So that the fixing and determining of such royalties shall be based and founded on the general principle of a fair rent." Then you find Clause 12 gives a large number of things, and the first is to "pay the said assessment," second, "to pay the said royalties to be reserved in such lease, and to be fixed as hereinbefore provided." I do not know, Sir, but I am speaking, of course, to two members of the Committee—

Mr. *Labouchere*.] You say it is Clause 11 to which you refer.

Mr. *Littler*.] Clause 11 of the concession.

Mr. *Labouchere*.] Very well, how do you get to "the percentage of metal in the ore" before the mine has been worked at all?

Mr. *Littler*.] Because you always prove your mine before you work it.

Mr. *Labouchere*.] What!

Mr. *Littler*.] Before you take a lease you prove your mine. That is the very object of our having so much money for prospecting, in order that we may fully make trials, bores, and experiments, and then when you have done that you analyse what you have found, and on that you form your judgment of what you can afford to give for your lease.

Mr. *Labouchere*.] You mean to say that you can find out "the percentage of metal in the ore" before the lease of a particular area is taken.

Mr. *Littler*.] Undoubtedly; and that is what is always done. The honourable Member on the Chairman's right knows a good deal about mining royalties in Scotland; I know a good deal about mining royalties in England, and I never knew anyone take a lease until they had proved the ground; and I venture to say the honourable Member has not known any such case in Scotland.

Mr. *Labouchere*.] In the gold-fields?

Mr. *Littler*.] Either in the gold fields, in coal-fields, in tin, iron, copper (smelting), in Cornwall, or in my own country in the North, wherever there is a mine, that is the common practice.

Chairman.] I suppose you might say that if it were unascertained, it might be worked on a sort of *ad valorem* royalty; ore, if found, then so much per cent.; if ore not found, then so much.

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Mr. *Littler*.] I was going to mention that, in the first instance, it was suggested that it should be on a percentage. The Government of India said no, that would not do, because very often the ore may have left the country before the percentage of profit is ascertained, therefore, that would not do; you must know and ascertain the profit before.

Chairman.] That may be in relation to any percentage that can be ascertained, either in the past or on the contemplation of the future. I rather agree with you.

Mr. *Littler*.] But there is another thing. There is this. If that were the construction, why in the world would Mr. Winter be so anxious to strike out the words he did strike out, "from time to time"?

Mr. *Labouchere*.] Because that alters it.

Mr. *Littler*.] Why should he do that?

Mr. *Labouchere*.] Because that would alter it. It would leave it vague and indefinite.

Mr. *Littler*.] He succeeded in striking out that.

Mr. *Labouchere*.] He succeeded in striking out "from time to time."

Mr. *Littler*.] It is to be fixed once for all, and if fixed once for all it is to be fixed before we take the lease.

Mr. *Labouchere*.] Why?

Mr. *Littler*.] For this reason no man in his senses would go and expend a sum of 50,000 *l.* or 60,000 *l.* of capital on a mine, unless he knew what royalty he was to pay.

Mr. *Labouchere*.] I have put money into mines very often (but I lost my money) from the reports.

Mr. *Littler*.] That is not what a man does who is spending his money on fixed plant.

Mr. *Labouchere*.] He spends my money.

Mr. *Littler*.] I cannot help that, Sir. All I know is what people do when they are going to start a mining work, say working coal as they do in this country. Now can you suppose that a man would go and spend 150,000 *l.* on another man's land, and leave it open until after he has spent that sum to fix what royalty he is to pay. It would be impossible. The moment you had spent your 50,000 *l.*, or 150,000 *l.*, the landlord would have you at his mercy; he would say, or might say, now you have spent all this money I am going to extract the utmost farthing from you. That would be the obvious result.

Mr. *Labouchere*.] No, the words are "from time to time."

Mr. *Littler*.] In fact, Sir, I cannot imagine anybody doing anything so unreasonable.

Mr. *Labouchere*.] Then there is a reference of the thing provided for; it may be referred to arbitration in order to arrive at what a "fair rent" is; the landlord cannot charge what he likes?

Mr. *Littler*.] But the royalty is to be reserved in the lease?

Mr. *Labouchere*.] The royalties to be reserved; a royalty?

Mr. *Littler*.] And I take it, as a lawyer, that *reserving* anything in a lease is not *postponing* it. It is that something shall be *reserved*? What do you speak about in an ordinary lease of a house? "The rent reserved by the said lease," "the royalty reserved by the lease," means the money expressed to be raised.

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Mr. *Labouchere*.] But there was not *one* lawyer who looked into this at Hyderabad; they were all simple-minded people.

Mr. *Littler*.] But there were lawyers in England that looked into it, and *this* is as it come out from England in that respect.

Chairman.] The Committee understand this clause to be that the Government undertake to give leases. It is no good undertaking to give leases unless the terms of the leases can be arrived at, therefore it was agreed that when the Government gave leases an arbitrator should be appointed if necessary to fix the "fair rent" that should be paid.

Mr. *Littler*.] The "fair rent" is to be reserved in the lease.

Chairman.] Yes.

Mr. *Littler*.] Very well, I am quite content, I have answered your question, Sir, upon that.

Now to go on from where I was before. In 1884 Mr. Winter comes home, there is this report of Messrs. White, Borrett, and White, one or two main points of which I would remind you of. First of all, at that time, White, Borrett & Co. point out to their clients, or to the Nizam, that the proposal of the concessionnaires was that if 100,000 *l.* was raised by debentures or otherwise, the Government ought not to insist upon any capital being provided; so that they had notice in the first instance of what our contention and what our intention was, namely, that all we proposed to do at first was to raise 100,000 *l.* and make the most we could out of it for ourselves. It is an open venture; it is a venture which, but for certain circumstances, as we believe, would by this time have been an extremely profitable one, but it is the risk of the venture that a man who is going into it expects to be paid for. My client expects to get not only his money back, cent. per cent., but his money back many times over. Here are we going to lay out 100,000 *l.* on a country where nobody has for years done anything; we were going to explore it. We might have spent the whole of our money and we might not have found anything that was worth having. We examined all the different reports we could find, looked into everything, and we believed that we could go on, and we have gone on, and we are going on now. You have, Sir, from Mr. Watson what his view of it is (I should like to have given the views of the other people; however, we could not, because they are not in England, none of them who have really seen it); we have been going on; we have found something, and what we originally intended to do was simply that we should raise the 100,000 *l.*, and that the Government ought not to insist on any capital being provided. Then, White, Borrett, and Co. say if that is so, it will be a mere founders' company, and there will be no security that anything will be found. They drew attention to that, so as to make everybody alive in India to it, and I cannot conceive that people in India did not read this letter which was sent on with the draft. Then they also point out our claim to be independent of the Government as to whom we should give the benefit of the concession. Then they say that will not do, because there ought to be a *bona fide* Company, and with available capital. Then on that they say at least half the capital shall be subscribed. As they sent it out they say half the capital should be subscribed; why? In order to make sure that by the 500,000 *l.* there is money to be found for the various purposes of the undertaking, and that it shall not be as they suggest, a mere founder's company.

I think on this it is worth while just to draw your attention to what they say. "The clauses as to the royalties to be paid have been prepared on the principle of ascertaining what the fair rent will be by a reference before granting each particular lease." Non *this* entirely settles the matter. "The clauses as to the royalties to be paid have been prepared on the principle of ascertaining what the fair rent will be by a reference before granting each particular lease;" that is their view. Then they discussed the various other difficulties, and that goes

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on. Then you know there is a postponement from that time. Mr. Winter comes home and there is no more about it. But now again I ask your particular attention when you come to consider your report to the document of the 16th of December 1884, from Mr. Winter to Sir Salar Jung, that you find at page 9 of the Blue Book. There so far from any document which Mr. Watson executed being executed by him in contemplation of having any moral claim or any fair claim (of course any *legal claim* was released by that document which he executed). Mr. Winter reminds the Government and Sir Salar Jung that the formation of the railway company was on lower terms in order that he might get the mining concession; that never was contradicted. Sir Salar Jung never contradicted that allegation of Mr. Winter's in any shape, and Mr. Winter has confirmed that here. Then he draws attention to various points in the proposed draft which he complains of, and this I would ask the Committee very carefully to read. There is one special thing which is this: "The proposal asks that the concessionnaires may be at liberty to associate themselves with others, and to transfer all or any rights, &c., to any person or company. The reason of this is to enable the original company to associate itself with others, or to form other companies," giving the most special notice that that is the plan which Mr. Watson afterwards deemed himself entitled to carry out. Now, how is Mr. Watson to act? He can only act on the letters which he sees, of course, between the people in India, and there is an express reservation, an express object declared by his own agent in Bombay, that his object is to transfer the concession to and have it worked by other companies. I cannot conceive how anyone having this letter before him could doubt that the very thing which has been done was intended to be done in some shape or other. I will deal with the shape in which it has been done presently. Then it is in that letter you find his strong argument about the words "from time to time" which were afterwards struck out, so as to make it clear that it was to be one fixed rent, and before the lease was signed. Then on that Sir Salar Jung appears to have very carefully examined it, because you find on the 17th December, his answer. He says, I will not alter the draft that has been so carefully prepared by experts in England; I mean to stick to the draft. Then again on the 7th January 1885, Mr. Winter writes to him (that is on page 12 of the Blue Book) a letter which he protests against, as he says, having no alternative, but to acquiesce; and he again says this: "I would ask your Excellency's indulgence in requesting that your Excellency would again consider them. I refer to the 100,000 *l.* being *paid up* by the new Company instead of 'an undertaking to expend it.'" It is long after he had used those words (which I confess are unfortunate words, now we see the use that has been made of them). When he speaks of the "first issue"; when he was speaking of the first issue, Mr. Winter evidently meant an issue which should in the first instance (the whole of it) be available so that they might meet White and Borrett's object, that a company might be started which would not be a mere founder's company and have not got any substance in it. Then he urges very strongly that even with that 100,000 *l.*, only 25,000 *l.* need be paid up. What is the end of it? The answer is, no, we will alter the terms as to 500,000 *l.* being required; but we will insist that it shall be 150,000 *l.* at the least; and that it shall all be paid up, and we have paid it up, and we have had to find (just to see what Mr. Watson has had at stake in this matter) 150,000 sovereigns, and have kept those until they were wanted from time to time to be sent out to India. We have had those 150,000 sovereigns in the bank, and we have 88,000 of them there now. Therefore it is no mean risk that Mr. Watson has been, running. I appear here, as the honourable Members know, solely for Mr. Watson, but Mr. Watson and those who associated themselves with him, and in this instance Abdul Huk was in the same boat, because he found his

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his 37,500 sovereigns, each of the four original owners of quarters found 37,500 sovereigns, and if this concern should turn out to be a failure the whole of that is lost; every halfpenny of the money which is originally found they might have got none to take it at all. I am not going to blink the fact that shares were sold, and sold at a large profit; but they might have got none to take it at all. Why did they find anyone to take it over? Simply because people of experience and knowledge in the City of London were of opinion that it was a good investment. I would like to know, why did Mr. Bishop take it up. Mr. Bishop holds a number of shares in it himself. Mr. Bishop, as anyone knows who knows his standing, on the Stock Exchange, is not a fool. Mr. Bishop has been 38 years at his business, and Mr. Bishop buys these shares, and he buys them for the purpose of holding some himself and recommending others to people who knew and trusted him. As somebody said here, this was a rich man's investment, not a poor man's, somebody who was willing to invest his money and to put the shares in his strong-box, to wait until they turned out to be worth a great deal more, or nothing, as the case may be, prepared to make a large profit or nothing, at all events to run the risk. Mr. Bishop buys 19,000 *l.* worth of those shares, and I do pray the attention of the Committee to the reason he gave for that. The reason he gave was, "I relied upon the standing, and integrity, and position of Mr. Watson."

Now, Sir, this is a gentleman who has known Mr. Watson for years, and now there is every description of insinuation and every description of suggestion; and if there are two ways of looking at any action that has been done, the worst is adopted. Suggestions have been made by the public that the worst view is to be taken of Mr. Watson's character, and of that which he has done. Now, that is the description which is given by Mr. Bishop, and it is not only Mr. Bishop, but it is supported by a gentleman in the position of Mr. William Morris, who, from all one hears about him, is one of the most experienced and acute of the stock-jobbers.

Chairman.] How much did Mr. Morris invest in the Company?

Mr. Littler.] Mr. Morris?

Chairman.] Yes.

Mr. Littler.] Mr. Morris in the first instance bought a very large number of shares. There are 4,000 shares standing in his name now; between 3,000 and 4,000.

Chairman.] Mr. Morris?

Mr. Littler.] In Mr. Morris' partner's name at this moment.

Chairman.] Not for Mr. Morris, I understood.

Mr. Littler.] I am told so, Sir. I have not had an opportunity of referring to the register of transfers.

Chairman.] There is no evidence of that.

Mr. Labouchere.] Are not those held merely as a jobber and not as an investor?

Mr. Littler.] I cannot tell you. At all events, I suppose Mr. Morris pays for his shares, and he certainly said he believed that they had a number of shares now. We will just find the reference.

Chairman.] Mr. Morris said he did not know, but they were taken to deal in. Mr. Morris did not intend to show faith in them by taking the shares.

Mr. Littler.] The first gentleman, Mr. Bishop, that I spoke of, certainly did.

Chairman.] That is right.

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Mr. *Littler*.] He, after all, holds now.

Chairman.] Mr. Bishop bought 19,000 l.

Mr. *Littler*.] There is another circumstance, while dealing with shares; it has rather taken me away from the order of events, but you will forgive me.

Chairman.] Quite right.

Mr. *Littler*.] Mr. Watson himself, up to this very day, holds between 4,000 and 5,000, or 5,000 and 6,000 shares. He stopped selling; held on; he has held on; he might have got out of them at 11, at 11½, or 12, but he is holding them now, when they have gone down to five or six. Is that not the sort of course a man takes who is wanting to palm worthless and spurious rubbish upon the public? Certainly not.

Now just let us go a little bit on to what happened after Mr. Winter's return. Mr. Winter leaves Bombay in 1884. On the 7th January 1885 the letter to which I have referred there is an end of Mr. Winter in the whole transaction so far as Bombay is concerned. He never influenced anybody; he never did anything in any way which was inconsistent with dealing as fairly as he possibly could, acting as solicitor for his brother-in-law, Mr. Watson, and acting as he afterwards did, getting with Mr. Watson (having negotiated in India) a share of the concession when it is brought out.

Now, Sir, if you look at the concession itself, what does it say? I venture to say no one can look at that concession and not admit the facts. I have drawn your attention to which were all the facts that were before us. We knew nothing about the negotiation and the communications between the Government of India. There was only one thing, one circumstance I was a little anxious to say, with regard to these documents A. and B. It was suggested, Why you, Mr. Winter, were at the Residency, and you must have known about A. and B. He said, I am positive I did not. Then, when Mr. Cordery comes, Mr. Cordery is asked the question, and I think in some place he is asked some questions leading to it by the Committee, and he is asked the questions expressly by me, because I was so thoroughly and strongly instructed that it was so. As an advocate, of course, one is always anxious to do one's best for one's client, and I was anxious in this instance, being so strongly instructed, as I say, that that was so. I pressed Mr. Cordery, at the risk of being blamed for asking the same question, that the Committee had asked, and he said "I cannot undertake to say I showed either."

Chairman.] We are speaking of January 1882.

Mr. *Littler*.] The A. and B. memoranda.

Chairman.] I do not know what that means.

Mr. *Pember*.] They were in 1883, Sir.

Mr. *Littler*.] That is the last time he was at Hyderabad. It was suggested these A. and B. memoranda must have been presented to him, if so, he must have had notice of it. Now that is the only way in which we could have had notice of it. Remember, not one single document which the Government of India sent to Hyderabad, or which Hyderabad sent to the Government of India, was allowed to be shown to us. Mr. Cordery had these documents in his hands, those particular documents. All the others, I say, we had nothing to do with. Those particular documents were produced by Mr. Cordery, were shown by Mr. Cordery to Mr. Winter, and Mr. Winter said, "Although you have got those document there, I am not going to discuss them." You will remember what the evidence is on that. "All I am going to do is to discuss this concession, and try to get the concession altered; this is what has come out from England, and that I am going to try and get altered in my favour." Now if that is so, Sir, where

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where is the evidence that we have deliberately done anything which is any fraud either on India or on Hyderabad.

Chairman.] You mean in framing the concession?

Mr. *Littler*.] In framing the concession; and I am going to say more—

Mr. *Labouchere*.] Will you be good enough to look at this point in the letter from Mr. Cordery to Mr. Durand at page 23 in the return of correspondence.

Mr. *Littler*.] Page 23 of the Blue Book, Sir.

Mr. *Labouchere*.] Yes, 31st August 1885. You were saying just now it was doubtful whether Mr. Cordery had shown to Mr. Winter the two memoranda; that he was not affected with knowledge of them?

Mr. *Littler*.] Yes.

Mr. *Labouchere*.] Will you please look at paragraph 2 in the letter, "In reply, I have the honour to inform you" (this is from Mr. Cordery to Mr. Durand) "that I submitted the two memoranda which formed inclosures to your letter under reply, and which contained several alterations suggested by the Government of India in the Draft Agreement, for the consideration of His Highness's Government and the agent of the Company. (3) Mr. Winter, who is the attorney in India of Messrs. Watson and Stewart, concurred generally in the proposals, with the exception of one point, which will appear hereafter."

Mr. *Littler*.] And let me remind you of this, and draw your attention to it, it is because of that Mr. Winter said it is perfectly true that those proposals were handed to me, but I decline to go into them or discuss them. I asked whether that was so, and Mr. Cordery would not undertake to say it was not.

Chairman.] This must be correct. "Mr. Winter, who is the attorney in India of Messrs. Watson and Stewart, concurred generally in the proposals, with the exception of one point which will appear hereafter."

Mr. *Littler*.] Yes.

Chairman.] That must be corrected according to you.

Mr. *Littler*.] And Mr. Winter distinctly stated it was not, he remembered them being shown to him, but he declined to discuss them, and Mr. Cordery said: I will not undertake to say that that is not so.

Chairman.] Not indeed from his memory, but the point the honourable Member makes is that this is written at the time by Mr. Cordery without the slightest reason for stating anything but what is accurate. He does in the year 1885 state this matter very particularly.

Mr. *Littler*.] You see, Sir, it is not until August, and this takes place in January. This is merely a question of recollection, and recollection by a gentleman.

Chairman.] No, no. "I have the honour to acknowledge the receipt of your letter dated 11th April 1885."

Mr. *Littler*.] Yes. But the date of this, Sir, is the 31st August.

Chairman.] Very well. Yes, and you put January; the difference is between January and August, that is all.

Mr. *Littler*.] Yes. The honourable Member for Northampton drew Mr. Winter's attention to that very passage, and then, as I say, when Mr. Cordery is here, Mr. Cordery will not undertake to say that Mr. Winter is not right. You see what Mr. Winter said at Question 1520: "I tell you I

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glanced over it. (Q.) You generally concur in them, with the exception of the one point; you must have done more than glance over them?—(A.) That is the way Mr. Cordery is pleased to put what took place between us. That is his account of the interview. (Q.) Mr. Cordery's account of the interview with you is that you generally agreed, with the exception of one point; that is scarcely the same as your account, that you just glanced through them?—(A.) Yes, I did. Mr. Cordery said: 'I think the Government of India have done more for you than you have done for yourselves'; that is what he told me." Then, 1469, on the same point, "In the second memorandum sent also, there is the explanation of why they want it, is it not so?—(A.) Yes. I have read it carefully in this book. I know what it is now. It was just put in my hand; I read it over with Mr. Cordery; just glanced my eye over it; but had not considered it." Then 1471, "You must remember, Sir, I declined to take any part in discussing any of those points raised. (Q.) Why did you? (A.)—Because I had already signed the deed, and there had been a certain amount of bad feeling between myself and Sir Salar Jung, and I did not wish to take part in any proceedings at all, or negotiations." Then he says, "I was prepared to leave it to the Indian Government." That is an account which Mr. Cordery does not in the slightest degree discuss. Mr. Mayne, as well as myself, spoke to him on that. I asked the whole of those questions; then he said, "I do not remember it." It cannot be said after that that there was anything like a discussion in the ordinary sense. We do that for which Rothschild's, as you know, had demanded 10 per cent. and had failed; we do that for which Morton, Rose and Co. had demanded 7½ per cent. and failed; we then go on and we, for 100,000 l. (of which five-sixths were handed over immediately to other people), succeed in bring out this railway. And now do let me remind you on that of what happens: you have more than one document before you from the Government of India which is warning the Government of Hyderabad in the first instance, that they should do nothing which would injure their credit on the London market, and showing that they had been most scrupulous in adhering to their undertaking. Then we have after the railway is floated, that remarkable statement that the credit of the Government of Hyderabad has been immensely raised (its financial credit) in consequence of the financial operations. Of whom? Mr. Watson. Has he done nothing for this Government? Has he done nothing which deserves some sort of compensation? You may say, Well, 850,000 l. is enormous compensation. So it may be, but it was not 850,000 l. It was 85,000 pieces of paper, which he was obliged to deal with in this way: A quarter of that was to go to Abdul Huk, and Mr. Winter has told you the condition of things as to Abdul Huk, and that he believed that with regard to Abdul Huk, and no doubt on that. As to whether we were justified in giving it to Abdul Huk or not there is this observation. Of course you know, Sir—

Chairman.] Will you excuse me asking you a question upon this point?

Mr. Littler.] I am much obliged to you, Sir.

Chairman.] Is it your case that that concession was worth 850,000 l.?

Mr. Littler.] That it has turned out to be worth 850,000 l.?

Chairman.] That it was worth 850,000 l. as a fact. I do not mean by market operations, but I mean in the material value of what was in Hyderabad. Would not that concession be worth 850,000 l.?

Mr. Littler.] Not to the Hyderabad Government.

Chairman.] To the Company that took it.

Mr. Littler.] To the Company that took it; it became worth it in a very short time.

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Chairman.] And they got value for their money.

Mr. Littler.] I say that every shareholder has got value for his money.

Chairman.] Therefore Mr. Watson was giving them that which was worth 850,000 l. The point is, if that is so, he got 850,000 l. worth to give, and you have to show by the argument we are upon now that what he had done was worth in cash, that 850,000 l. to give to the Company.

Mr. Littler.] My argument is that it is not worth 850,000 l. to the Nizam.

Chairman.] The Committee are not dealing with its worth to the Nizam; but do you say that that which the Company was taking over from the concessionnaires was worth to them *qua* Company 850,000 l.

Mr. Littler.] It was *qua* Company.

Chairman.] Then, assuming that it was reasonable to say that Mr. Watson should get something out of this concession, I would ask what has he done that was worth 850,000 l.?

Mr. Littler.] My answer is this: Until he had done this for the Nizam, those mines were absolutely worthless.

Chairman.] What has he done for the Nizam that is worth 850,000 l.?

Mr. Littler.] He has floated the mines on the English market; if there was nothing in the railway to entitle him to it, he has floated the mines on the English market, and that the Nizam could not have done for himself.

Chairman.] What he has done is that he has found 150,000 l.

Mr. Littler.] He has done more than that.

Chairman.] What has he done?

Mr. Littler.] With his credit and experience, and with circumspection, he has made those mines things in which people will and do invest.

Chairman.] But then Hyderabad did not get the money; he got the money.

Mr. Littler.] No, Sir.

Chairman.] Pardon me; except the 150,000 l. The point as put by Mr. Mayne is that Hyderabad has got nothing as a State.

Mr. Littler.] No; with great submission what Hyderabad has got is this: If we are right in our valuation of that it has got an enormous income in royalties; that is what Hyderabad gets.

Chairman.] Looking at the thing as it stands with your 150,000 l. working, now that is all it has got at the present moment.

Mr. Littler.] It is undoubtedly worth 850,000 l. on the assumption that those mines are good. If the mines are good it certainly is. We shall have to go by degrees. I have very carefully thought this out in every way, and although I see you shake your head, Sir, I hope I shall be able to satisfy you that I am right. If the mines are worthless Hyderabad has lost nothing; if the mines are valuable, then Hyderabad has got an enormous consideration, because Hyderabad is not exactly on all-fours with the illustration given by the honourable Member for Northampton as to Mr. Raikes giving a concession for nothing which turned out a month after to be worth 100,000 l. It would be perfectly analogous case to the case put against us if Mr. Raikes gave away something which the British Government could equally well do for itself. But what the Nizam was giving us

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here were worthless things until developed. The Nizam's Government could not develop the property.

Chairman.] You say 150,000 *l.* will be sufficient to develop it.

Mr. Littler.] £150,000 will certainly develop it so far as the prospecting goes.

Chairman.] Then, on the other hand, if that 150,000 *l.* was sufficient to develop those mines, do you think those mines were worth 1,000,000 *l.*

Mr. Littler.] If our expenditure (we have not expended it yet) of that 88,000 *l.* which remain of the 150,000 *l.*, turns it into a successful proceeding, then that concession is worth the 850,000 *l.*

Chairman.] Worth to the company that got it?

Mr. Littler.] Yes.

Chairman.] Now Mr. Watson got that 850,000 *l.* from the Company. Will you direct your attention to telling us what in your view Mr. Watson did, either in services or in money, to entitle him to 850,000 *l.*?

Mr. Littler.] The State gets this. The State gets somebody else to risk all the prospecting; that is to say, this 150,000 *l.* might have been spent for the State and the property might have turned out worthless.

Chairman.] Certainly.

Mr. Littler.] Therefore he has suffered the expenditure, which is the most risky part of the 150,000 *l.*

Chairman.] Pardon me, they got the Singareni coal in any event which was there.

Mr. Littler.] In any event; but whatever they got out of that, the Government have eight annas royalty on every ton of coals they raise.

Chairman.] The Company would have got that, at all events.

Mr. Littler.] Certainly.

Chairman.] £. 850,000 would not be subjected to risk of loss as regards that?

Mr. Littler.] But the Company have, no doubt, got that, and that has more than doubled in quantity already.

Chairman.] It was there.

Mr. Littler.] Undoubtedly it was.

Chairman.] It is a dangerous argument for you. If it was not known to be there, there was the risk, and then what was the money paid for? If it was known to be there, then the Company was getting value for its money, and where was the risk?

Mr. Littler.] If it was not getting value, away goes the whole; but instead of getting, as we were, only 50 tons a week, we are now getting 60 tons a day.

Chairman.] If the members are not there, what becomes of the Company here?

Mr. Littler.] If they are not there, then the Company here have run the risk of losing their money?

Chairman.] Losing their money? I assume that it was there. Did Mr. Batten assume that it was there?

Mr. Littler.] Mr. Batten believed it was there, and the Company have proved that it was there.

Chairman.] Yes, it was there.

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Mr. Littler.] The Nizam knew as much as we did about the Singareni coal, because he had been told by the Indian Government what an exceedingly valuable thing it was. No doubt he did know. He says, Now here is Singareni. Here is this coalfield. It is most important that I should get railways for the development of that coalfield. We then floated for him his railways. Having floated his railways, which he would not have got otherwise, we also do this: We undertake not merely the development of the Singareni coalfield, and find enough money for the Singareni coal development, which, as you know, has been only about 80,000 *l.*, but we undertake to spend another 70,000 *l.*, and to pay to him 7,000 *l.* a year, 10,000 rupees, which is about 7,000 *l.* a year; we are to pay him that 7,000 *l.* a year whatever happens; all the time we are prospecting, and we pay him a royalty, which is 8 annas on the ton, a very handsome receipt indeed; for every ounce of coal we raise he gets, and is getting that payment, and, indeed, it is admitted now that Singareni was worth nothing without the railway. Singareni could not have been worked without the railway.

Chairman.] But the railways have been executed and the railways have been given up by Mr. Watson. That has all been settled by the payment of the 100,000 *l.*

Mr. Littler.] I do not think you quite see what I said about that.

Chairman.] I think when Mr. Watson was here he told us that the railway matter was settled at the time.

Mr. Littler.] Legally it was swept away, and on the completion of the railway he signed that release. Legally he had no claim, and even after all this had been gone through the Nizam had, for any reason of his own, or for no reason but the mere caprice of an Eastern sovereign, said, I shall not give you the concession; we could not have compelled him to do so, and could not even have asked the Government of India to use its gentle persuasion to compel him to do so.

Mr. Labouchere.] Can you cite any Government in Europe that has given 850,000 *l.* to any railway magnate or to anybody for making a railroad for the purpose of making money out of it?

Mr. Littler.] They have not given it, but I could give you a very analogous case, I think in England. I should like to inquire how much the Rothschilds got for floating the Manchester Ship Canal Company. They got certainly quite as much as 5 per cent. for floating the Ship Company in England, and rather more.

Chairman.] Five per cent.

Mr. Littler.] Merely for the under-writing.

Mr. Labouchere.] For the Suez Canal.

Mr. Littler.] No; the Manchester Ship Canal.

Chairman.] That is 5 per cent.

Mr. Littler.] Yes, on an English concern, with no risk whatever.

Chairman.] This is 850,000 *l.* on 150,000 *l.*

Mr. Littler.] No; Mr. Labouchere, I understood, was asking me about the railway. That is what Mr. Labouchere was asking. Now I might put this in two ways. It is very important. I can see that it is pressing on your mind, and I do want to make myself plain. It is a little difficult to do so, and I am sure you will bear with me. What happens is this: There is believed to be an enormous field; immensely valuable. That field, if it is developed, will tend to the mutual advantage, both of the grantor, who is the owner of the property, and the grantee, who is the miner. But it is precisely what happens in England. The

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royalty is granted, not only for unknown stuff, but for known stuff, a royalty of 8*d.*, 9*d.*, or 1*s.* a ton where it is known; and there are thousands and thousands of tons of coal raised in that way. What is the result? A man puts down his coal pit where it is known that coal exists. He spends his 100,000*l.* in plant, and in good times (I am afraid he cannot do it now; very often he cannot even make both ends meet without trenching on his capital); but in good times a coal-owner makes enormous sums of money out of that, but he is not supposed to have maltreated the owner.

Chairman.] The coal merchant, you mean?

Mr. Littler.] The owner grants him that under an arrangement for a royalty. Many of the great coal-owners in Yorkshire have what are practically concessions of their own, from which they derive large sums of money, and, I suppose, if the great Charlesworth, or any of those great owners, put their concerns into the market they are not to be said to have ill-treated anybody, because they make a great deal of money between the royalty they pay and the shares they sell to the public. It is exactly the same thing as was done with one or two of the great breweries, very large concerns. It was said at the time by everybody when they converted Guinness and Bass into limited companies, that the shares were put down at vastly more than the real value of the concern. And what has the result turned out to be? It has turned out that those shares are at an enormous premium now, I believe some 200 or 300 per cent. premium. Now it seems to me the position of things is this, I take this from you, I believe it to be very valuable. So do you, but you have no means whatever of working it, because you have no capital properly applicable to that. You have got, and that is your richest thing, your State, you have got your State resources, but you have got no capital, no credit at all events on the London market, whatever you have out here, you have no credit for the purpose; I say, You give me the right to sell over again my share of interest in the thing, and I will find you the necessary funds for working it, so that you shall get your royalties secured. Then in order to see that that is fairly done, White and Borrett put in that very proper precaution, that it shall not be an arbitrary royalty fixed by us; that it shall not be, on the other hand, an arbitrary royalty fixed by the Nizam; but three mining engineers, one on each side, and in case of difference, an umpire shall decide what is a fair royalty having regard to all the circumstances. Now what can be fairer than that? The Nizam has not lost a halfpenny; the Nizam has not spent a halfpenny. We have spent 150,000*l.* for that which we believe to be a good speculation. We prove it to be a good speculation because men of sound sense and sound judgment in the City of London think it so good that they are willing to regard our 85,000 pieces of paper as being worth 9*l.* to 10*l.* a-piece. We have defrauded nobody, and we have broken no negotiation. If we had broken any part of the concession, what would have been the result? We should have been called upon under the arbitration clause of the concession to forfeit that concession, to provide for something or other; there is that arbitration clause. The Courts are open to the Nizam. Let him go to them; I am quite prepared on behalf of Mr. Watson to meet the Nizam anywhere to say whether or not that concession has been broken, and if any Court says it has been broken of course I shall be compelled to pay damages. But I say the concession has not been broken, but on the contrary, we have complied with every term in the concession. If that be so, what right has anybody to come and complain? I do not mean to come here to-day to do that. You must not suppose I am doing that, but I defy anyone to complain anywhere with regard to what has happened at the present moment. Here the Nizam is not even now complaining. He has never complained. He has got his Chief Justice actually on the Board of the Company now. He has had, and has now, Lord Lawrence on the Board

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Board of the Company to protect his interest, and has never complained to either one or the other so far as we can tell, certainly not to Lord Lawrence; and although the Chief Justice has been in England he has not been here to say that he complains. But if he did complain I should say, I want to go before the arbitrator, please, because I will show the arbitrator that you have lost nothing; and I am prepared to show the arbitrator to-morrow that the concessionnaires can raise as much capital as we wanted, and I must be, because if those shares are worth, as we say, 10*l.* or 11*l.*, and if with all the doubt that has been cast upon this matter in the course of the correspondence and other things which led to this Committee being appointed the Company said, We are not in a position to raise further capital, it is an error: to say because you have raised 850,000*l.* you cannot raise any more because Mr. Watson would say, so far as he is concerned (of course his affair is a large certain amount), I do not want you to raise any more money on ordinary shares; my ordinary shares are too good for that, but raise it by preference shares which shall never earn more than 5 per cent., and if those are worth 7*l.* a-piece, can any one doubt that preference shares could be raised in the market; can any one doubt if the concession is worth what it is said to be worth, that you could raise debentures in the market; at all events, whatever anyone's individual opinion may be, it has not been tried and failed. Mr. Watson told you by his own mouth, in the chair, and he tells you through me as his counsel, I am prepared to go to-morrow into the City, and with my credit and resources, I will raise as much on my character as is wanted for this concern, but he says we do not want any at present. We have 80,000*l.* in hand to spend in prospecting; the very moment I want money I shall call on the Nizam to give me the lease, and I shall, having, got the lease of one field by another issue of preference shares, or shall grant leases to a subsidiary company, and I will take part of the shares of the Company and partly cash from them which will be a source of income; and remember, Sir, this is no new after thought, it is nothing that has been thought of here. It is in that Memorandum of his; he says this is not a proposition that this Company shall do the work itself, but that there shall be other companies to do it. He told you in the chair, if this turned out to be, what I believe it to be, if they are good gold-fields, as I believe them to be; if they are good coal-fields, as I believe them to be, apart from diamonds (and if there are diamonds, I tell you, it take 20,000,000*l.* to mark this concession). What would the 850,000*l.* towards that? It is not enough. It is a flea-bite to what would be wanted if the gold and the coal and the copper are there, and the iron is there, and, as we know, the iron has been found.

Chairman.] Would not such a rich productive company very soon be self-supporting. Surely you could start with the 850,000*l.*

Mr. Littler.] Very well.

Chairman.] Then it would not be a "flea-bite" in working them.

Mr. Littler.] This Company is not debarred from issuing more capital, and they might say, We will issue a million, at least. They are not, in the slightest degree, debarred, and unless you find it proved, and I hope you will not draw conclusions and speculate and say, Will I, in my own mind, having regard to what I have heard about this concern, would not put in my money, unless you come to a conclusion. Even if you did come to a conclusion that others would not, it must be preceded by proof, and we who know more about it than anybody else say deliberately and advisedly that to-morrow morning, if we were to go into the City and say, Now then, there is the price I want for that on such a report as Mr. Furnival has given here; such as Mr. Hughes has given here; here is some of the gold which has been sent home, which has been analysed and tested, and we propose to raise 100,000*l.* for a new company or by the issued debentures Mr. Watson tells you he could do it to-morrow

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to-morrow morning. Well is Mr. Watson a judge? Why he has raised all this railway capital that nobody else could; he has raised all this mining capital on his own responsibility and on his own relations with people who know him and who are good for any amount. How did Mr. Sharp come in? Of course, through his relations with Mr. Watson. How did Mr. Stewart come in? Of course, through relations with Mr. Watson, and these gentlemen having got this have sold these shares, have sold their shares in the market, and I say they have sold their shares in the market legitimately. They have not injured the Nizam, because, as I have pointed out, he gets his royalties. He gets the fullest royalty, which the Government of India (as arranged mutually between the two parties) chooses to fix. Of course, they will not fix so high a charge as will prevent the thing being floated at all, but will use the same common sense that any English engineer would use, and fix a sum that would enable the Company to carry on the works.

Adjourned for Ten minutes.

I have little more to say in completion of that portion of the subject which relates to the matter of any possible loss inflicted on the Nizam. On that matter I want to strongly urge on the Committee, and I cannot too strongly urge upon the Committee, but for somebody coming, to whether Watson or somebody having European influence and European power, the Nizam would not have got a sixpence out of these mines. In corroboration of this there is a reason given, for, although it is quite true, as you said just now to me, that Watson had released all claim he had on the Nizam's Government for the railway in respect of Article 4, yet still after that Sir Silar Jung says himself, in one of his letters in the Blue Book, that he would rather Watson had the concession than anybody else on account of the great service he had been to the Nizam's Government in the railway matter. And he had. There was not only the making of the railways, but by the making of the railways they had the whole of this country developed, and what Watson was doing by this concession, and what the mining company is doing by this concession is, that they are giving employment to dozens and hundreds of people, and, in fact, developing the country.

Chairman.] We are anxious, Mr. Littler, to give you a little latitude, but we do think we appreciate your view as to what Watson has done, both in the past and what he may do in the future. We have heard your argument on that point.

Mr. Littler.] Then I will pass from that part of the question. The next thing, which is, of course, a very serious matter as regards Watson, a man of standing and reputation, is the suggestion, and more than suggestion in some quarters, I do not say in this room, of his giving a share in this concession to Abdul Huk, which, to put it plainly, was given, it is said, a bribe. How does that stand? It shows that that whatever Watson's information was when he left India; and this is another very striking matter as regards that, that the first disturbance which arose in India as to Abdul Huk was as to this 83,000 £. How was this found out? Through Mr. Watson making a disturbance about it, and inquiring what he was to have the right to 83,000 £ for. He said, "There is 100,000 £. been spent in reference to this railway with the legitimate commissions in England. That is to be paid as part of the commission, and here is 83,000 £. out of the money going to you, the Nizam, which is going to be paid into the pockets of your officers." Now, is that like a person who was acting in collusion with a person whom he was bribing? On the contrary, he makes a great disturbance about it. The result of that disturbance is that the accused man, Abdul Huk, produces both letters, and they are sent at once to the Governor of India. I do not desire to say a single word which aggravates or improves the position

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position of Abdul Huk. I have nothing to do with it, but it is a matter to be noted, as far as Mr. Watson is concerned, that then and there he says, "Yes, I justify both transactions, I justify the 83,000 £, and I justify the other." What then? The Government of India themselves say, "The thing is past and done, and we recommend you to let bygones be bygones, and let him have the 83,000 £." Not one single syllable is said that there is anything wrong about the other part of it. The other part is equally known to the Government of India, and it evidently refers to the mining transactions. It does not refer to the railway transactions. The two letters were not wanted for the 83,000 £. It is not pretended the second letter has the smallest reference to the 83,000 £. It is not pretended that under the second letter he got anything in respect of the railway. The second letter was absolutely needed for the purpose of the mining transactions. That transaction was known to the Government of Hyderabad in 1885, and it was known to the Government of India in 1885. They say, with regard to the one part: "You may keep that 83,000 £." What inference was Watson to draw but that the Government of India, although it thought it an unwise transaction on the part of the Nizam, and recommended it should not occur again, and thought it was an extravagant transaction, what inference could Watson draw except that the transaction was not one which could be reprehended. Remember this, that when my friend Mr. Mayne talks about fraud, I am bound to answer these things, because we are not here acting with suits or with parties; who is it that has been doing it, and how has it got about? Why, they relied on the most recognised and responsible agent, the gentleman who represented at Her Majesty's Jubilee the Government of Hyderabad; they relied upon the gentleman who was trusted at Hyderabad. We have no reason to believe that there was any fraud. Nobody suspected it. No one suggested that Sir Salar Jung was influenced by any improper motive in writing what he did. He wrote something which might lead anybody to suppose that Abdul Huk was entitled to have what he pleased, and I dare say, according to Eastern notions, he was. We have this position stated to us, that actually 83,000 £. he is allowed to retain which he got from his own Government. If he is to be allowed to retain that, why is he not to have a chance or a share in a speculation, which after all is a speculation in his own land. We do not give him a portion of this concession on any other terms than this, that he pays his share, and he pays his 37,000 £. like Watson and Sharp did. Is it to be supposed that after all it is a transaction which must bear of necessity a base view or any base view. Surely, when he comes and says, "Yes, my Government has said you have done so much in this matter, you have taken so much interest in it, that you may have a pecuniary interest in it; you may take a share in it"—

Chairman.] I do not want to interrupt, but this is Abdul Huk's case. The knowledge of Watson is the point we wanted you to address us upon.

Mr. Littler.] It is in that point in view. I am looking to see what this conduct of Abdul Huk looked like to Mr. Watson. Does it look other than this, that here is a person who is a trusted agent of the Government, who has done a very great deal of work in this, and therefore has leave to take a share and an interest in it, and that share and interest involves him spending 37,500 £. which may be entirely thrown away. Does that look, on the face of it, a transaction which must necessarily have an improper side to it? Remember it is proved most distinctly that in the year 1886, I think in October of that year, Mr. Watson fixes it at, and it must have been about that time he told Mr. Rock, who was the Nizam's agent, that he had got a fourth share. The Nizam's agent goes out immediately after that to Hyderabad, and then you remember comes the time when Mr. Rock says he had heard in England that he had got a fourth share. Would that have been told to Mr. Rock if Mr. Watson had any complicity or any fraud? He would have held his tongue about it and not told the gentlemen who was going out to Hyderabad, and who was the agent in this country.

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He tells Rock all about it. Rock goes out at once and communicates the matter to Hyderabad, and at this time it is that the first disturbance takes place with regard to this matter.

It was immediately when they were coming hot-foot from this fraudulent transaction, if Watson deemed it fraudulent, but, speaking for Watson, I, in the most energetic terms I can use, and in the strongest and most earnest language I can use, repudiate on behalf of Mr. Watson such a term as "fraud" being applied to a gentleman who is described, and rightly described, as a man of integrity, standing, and position. It is one of the unfortunate things that you are obliged to inquire into matters which affect private character and private matters, and unfortunately that is not the usual means of sifting the thing to the very bottom, but if these matters can be sifted to the bottom, I do not say here, but if they can hereafter be sifted to the bottom, speaking for Mr. Watson, I say here, for him, that these things shall be sifted to the very bottom.

Chairman.] Mr. Littler, you are now proceeding beyond the bounds the Committee have imposed. You cannot go into what Mr. Watson may do in a court of law. You must call our attention to the facts of the matter. We must ask you to confine your observations within the limits as other counsel have had to do.

Mr. Littler.] I will do so, Sir; but I must ask you to pardon me if under the circumstances I should feel and speak a little strongly upon the point. Now I will go on from 1886. When the concession is granted to Watson the Articles of Association and the Memorandum of Association are prepared in the usual way, and the Memorandum of Association provides for the sale of this concession to the Company. I have dealt now with the question of whether the Nizam has been defrauded in any way. I have shown you distinctly and clearly that he has not. I have shown that the capital of the Company now with its ordinary shares stands at seven and can preference stock, and so on. I am now going to the other side. Let us see if anybody else has been hurt. The Articles of Association provide distinctly that the object of the Company is to acquire and purchase the concession.

Mr. Labouchere.] Not purchase.

Mr. Littler.] I venture to think that in the City of London "acquire" and "purchase" are synonymous terms. "The object of the Company is to acquire, undertake, work, carry on, and deal with the rights and obligations of the concessionnaires, and there are all sorts of provisions as to undertaking and leasing," and so on, and other provisions about the capital of the Company. Then this is most important in Article 5 of the Memorandum of Association: "The capital of the Company is 1,000,000 £, in 100,000 shares of 10 £ each. Any shares in the capital of the Company may be issued as fully, or in part paid-up, in payment for the said concession, or any other property which the Company is authorised to acquire;" that means purchase. Then Article 3 of the Articles of Association is: "The board may make and carry into effect any agreements with any company, association, or person, whether a director or promoter of the company or not, for any of the objects referred to in the Memorandum of Association, and any such person shall, notwithstanding that he is a director or promoter of the company, be entitled to retain the benefit or profit of the agreement." Then by Article 5 they may increase their capital by the issue of any new shares.

Chairman.] Mr. Littler, you have legal members on this Committee, and also men of business, and you may trust us to read the concession. The Committee would like to hear you upon this: assume that the Company could buy this from the concessionnaires, whether they ought to have given *en bloc* 850,000 £ with the inquiry that took place, or whether there ought not to have been more inquiry made. If you will bring your attention to that you will do Mr. Watson more service.

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Mr. Littler.] I am much obliged to you; I will deal with that by stages. First of all, if they had given, say, 200,000 £ or 150,000 £; supposing they had raised 300,000 £ and given 150,000 £ in cash, that would have been investing a very large sum of money. In that way, although it was known there was coal in Zingareni, and though it was known there was a certain amount of gold which justified them in prospecting, and so on, they would have been clearly giving a very large sum of money which no human being, after all, could put a real true value upon. Instead of that, what has been done? It is stated by the Nizam's Government that if it had been a smaller sum nothing could have been said; but what has been done is that no sum is given; it is pieces of paper, nominally worth 10 £ each, but it turned out to be worth 850,000 £.

Chairman.] On your theory, if the property was there, did not the paper represent the property, and then it would be worth 850,000 £?

Mr. Littler.] I say the result has proved that the Directors were right and justified. I say the property has become worth 850,000 £.

Chairman.] Then in getting shares he got that which those 85,000 shares represented, and the property is worth 850,000 £.

Mr. Littler.] Certain questions have been asked, and if I might be guided by the questions which have been asked, certain questions have indicated that the Directors did not make sufficient inquiry; but supposing they did not, I am not defending the Directors of course, but supposing the Directors were ever so careless, their carelessness did no harm to anybody, because nobody in this room can come forward and controvert the fact that the property is not worth a great deal of money. Taking it at two-thirds of the 850,000 £ it is worth 600,000 £ in the market to-day, and it cannot be said that the property was not worth the 850,000 £ given for it. Surely not, at all events, without a great deal more information than you sitting here have been able to get. Test it by what one would do if one were really trying it. What should we do? Why, we should immediately send out one or two of the ablest and best engineers in England to India. Suppose an action on a prospectus to recover a large sum of money, the very first thing that anyone of us placed in that position would do, would be to say to our client, "send out one of the very best engineers you can find, let him go to India, and let him examine this himself and make a report, and if that report is favourable, it will go a great way towards showing the value, and success in the future." At the present moment you have before you reports from some of the ablest engineers in England. I will not suggest that Furnival or Hughes are men in such a position that they could be bribed by shares.

Chairman.] As to these reports showing the value of this property, why were not those reports obtained before this 850,000 £ was given so as to show the value of the mines?

Mr. Littler.] Because the greater portion of those Reports, I think you will find, although I speak subject to correction, are made subsequently.

Chairman.] All subsequent. My question is, Why are they subsequent?

Mr. Littler.] Because we were bound to bring out the Company within six months.

Chairman.] But you were not bound to pay the 850,000 £ over. You had to fix your capital. Could not there have been a consent given to the payment of a fair sum to be ascertained?

Mr. Littler.] I have had considerable experience of companies, but I never heard of any such term as that.

Chairman.] Not that when a fair price is to be paid, it is to be ascertained; the value of it is to be ascertained, and, not to use the argument you are using now, that it was to be left in doubt.

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Mr. *Littler*.] Supposing it had been ascertained it would only have resulted in the same thing; the 850,000 *l.* would have been paid, only it would have been paid on the Reports. However, that is a question of justification for the Directors, and not for me. I took certain pieces of paper and said, "I think these will be worth 850,000 *l.* before long," and it has turned out that those 85,000 pieces of paper are worth 850,000 *l.* What harm, then, is done to anybody? What is the ordinary course taken by people desiring to get an improper amount for a concession? The very first thing they do is to offer shares, and to put it into such a shape that they can bring them on the Stock Exchange and get an official quotation, and then they send out those prospectuses, and our waste-paper basket shows the extent to which they came in; prospectuses and circulars by the bushel. There is the way in which it is done when it is desired to do anything which I may call the undue floating of a Company (I will not use a stronger word than that) for a very large sum of money. Nothing of the kind is attempted here. There has never been a prospectus issued or an attempt to make it a public company. All Watson has done is to draw this to the attention of certain of his friends in the City who are men of substance and capable of holding on to a good thing until it becomes profitable. What has happened here? You know, Sir, because you have carefully followed every one of these transfers. There were one, two, three, or four transfers in October. I do not want to minimise it at all; but I think there were about four transfers in October; only four sales after that comes the Statutory Meeting of the Company. At the Statutory Meeting of the Company statements are made on the full reports that had then come home. The very next day people are coming and begging Mr. Watson to let them have a share in this good thing. He says, "I am not prepared to sell." Mr. Evans said, "I want to buy at 8." "No," said Watson, "I will not sell any shares under 10, and anything you can get above 10 you may have; and if you will sell them at 10 I will allow you 10 *s.* a share on all you may sell up to a certain margin." He will only sell up to a certain margin, and that is a proof that he thinks he has got hold of a good thing himself, which will turn out a good speculation, and so none get into the hands of the public in any shape; and let me remind you that at that moment the agreement for the 850,000 *l.* was registered at Somerset House. It was open to the inspection of any man who desired to go and see it; and on the face of that memorandum it appeared that only 30,000 were issued to anybody, and that would guide anybody, as Mr. Bishop said, who knows these things to the conclusion that the rest were paid in cash at the end of the memorandum; I won't call it a prospectus, because it is not so, you see.

Chairman.] We have had all this from Watson in re-examination.

Mr. *Littler*.] You remember it, no doubt. I want to be as consecutive as I can. Since that time there has been buying, and there has been selling. It is suggested that there is something wrong in Mr. Watson making a present of 1,000 shares to Mr. Hemmerde, who was an old friend of Watson's, and had been for 20 years. It is said that there is something suspicious in that; you have inquired into it, and it turned out that he gave the 1,000 shares to Mr. Hemmerde, who was, what? merely, as I have said, an old friend of Watson's for 20 years. From first to last, and this is what I am concerned with, I believe I have put before the Committee every circumstance which, in the smallest degree, bears on Mr. Watson.

There is one thing, by the way, which I have not noticed, and that is what happened with regard to the transaction of the Nizam's shares. I would again particularly call your attention to the notes, and what appears upon them. You remember that singular circumstance with regard to the telegrams; that seems to me to be a most striking instance of Mr. Watson's straightforwardness. He said he had no telegram in May; somebody seemed to know he had, I forget how that was; but he said, "I had no telegram in May of any sort. A telegram was produced from the Nizam's State

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State papers, and then it turns out that there was a telegram, and an answer at the very time that that long memorandum in May was before the Council. I ask the Committee simply to read that long memorandum of the 10th May by the light of those telegrams. What does Mr. Watson say then; he says, "I cannot sell the shares now, because, if I did, I should raise the market." If Mr. Watson had remembered that it would have been a very striking circumstance in confirmation of him. That he should have forgotten it, and should, in the first instance, have denied the receipt of it, seems to me to be one of the most striking proofs of Mr. Watson's *bona fides* and great straightforwardness throughout the whole of this transaction. Then, again, when the transaction takes place, what is it that does take place after all? Is it not a thing that is not infrequently done in business transactions, that when people are talking together it is said, "Kindly put that in writing?" and it is put in writing to be a record. It is perfectly consistent with honesty and fairness. I do not say Mr. Watson would not have been wise to take another course to that which he then took, and that is the only thing which I can plead guilty to, that there was a certain amount of unwisdom or carelessness, having regard to the position which Abdul Huk then held. Knowing and relying on the high position of the Prime Minister, knowing and relying on the high character and high position which was then held by Abdul Huk, what more natural than that when he says, "I should like a record of this transaction; please write me out a record;" he writes one then and there? If the rest is all right, surely that is simply a piece of inadvertence, to say the least of it, which I do not suppose will happen again in the present state of circumstances. There are two matters which I have to put before you, and then I will sit down, thanking the Committee for their patience in having listened to me so long. In December 1886, before the great part of this sale took place, that article in the "Standard" newspaper published to the whole world that memorandum. I ask you to look at that; and then in the same month there is the same thing goes to every solicitor's office who deals with these things, and every broker's office, and it is in Burdett's List, so that the whole commercial world had the fullest possible notice of the position of this matter, and they go on buying and selling these shares. I do not desire to go on pressing this matter on your patience unduly. I feel I have, to a certain extent, trespassed beyond your limits, but I must ask your forgiveness for doing so, having regard to the position of Mr. Watson, whom I represent. I do most strenuously submit to you that from first to last, whether in this Company or in the transactions with the Nizam, that on the one side he has made for the Nizam's Government, with regard to this mineral concession, a very high and great position that could not otherwise have been obtained, and that, on the other hand, not one single shareholder has come here and complained before you, and I will go further, and say that not one single shareholder could have complained.

Mr. *Pember*.] I have but a few words to say for the Company.

Chairman.] Mr. *Pember*, at present the Committee do not quite see what *locus standi* you have, or the position you are in. The value of the shares is only of importance in respect of the value which they were at the time the concessions were taken over. Of course, Mr. Batten was there, and Mr. Hemmerde, but there was no one else. We are not asking you, as representing the Company at the present time, to show us the value of the shares; we should not go into that question. The Committee will not report on their absolute present market value, but the only importance of it now would be to throw light on the value at the time the concession was taken over. We are not going to ask you to argue it upon the reports which were sent in.

Mr. *Pember*.] The only point which I want in the slightest degree to touch upon before you is the point that Sir Horace Davey was going upon at

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at the time you stopped him, and said that that was the affair of the company.

Chairman.] What point was that?

Mr. Pember.] I want to suggest to you that the only thing that possibly could be done in consequence of the Report that this Committee may make would be that this concession should be tampered with in some way, or altered, or revoked.

Chairman.] We are not going to do that.

Mr. Pember.] I would point out that the result of any Report this Committee might make might be to induce the Nizam for instance to revoke his concession, or deal with it in some way.

Chairman.] You heard Mr. Mayne's statement that on the part of the Nizam's Government he undertakes that the position of those persons you represent will not be affected by the action of the Nizam's Government. I understood you to say you represent shareholders other than Mr. Watson and Mr. Sharp.

Mr. Pember.] I do not say I represent them other than this, that there are other persons in the company, and I represent the company.

Chairman.] We cannot hear Counsel for Watson and Sharp and you too. We have heard Mr. Littler, who has taken care of their interests. We cannot enter into a legal question whether the concession is good or not.

Mr. Pember.] Then you will not hear me on the point whether the concession is good or not.

Chairman.] In what sense good?

Mr. Pember.] I want you to hear me on this point, that the only ground for setting aside this concession would be the ground that it was obtained through the fraud of the agent of the Nizam. I want rather to urge upon you that it was not obtained through the fraud of the agent of the Nizam. I want to show you distinctly that so far as the obtaining of this concession is concerned which is the title of all the shareholders for whom I appear, that the only thing that could invalidate it at all would be a fraud that was essential to the obtaining of it.

Chairman.] Mr. Pember, the Committee understand that you desire to address them upon the point that the concession has not been obtained by fraud, fearing that if the Committee should report in terms that should cause anybody to think there was, that they might put litigation in motion.

Mr. Pember.] Yes.

Chairman.] I must remind you that the granters of the concession are represented here by Mr. Mayne. Mr. Mayne has stated that the position of the *bonâ fide* shareholders will not be affected by any act of the Nizam's Government. The Committee ask you to keep that in mind, and keeping that in mind the Committee are sure that you will address them upon the main points which arise in reference to the matter.

Mr. Pember.] I can do it in five minutes. My position is this: I take my title from a certain deed; if it can be shown that that deed was obtained by fraud, that is to say by fraud which was essential to the obtaining of it, such fraud as without it would not have been obtained, then it would be an extremely dangerous thing for me, but the report ought at least to take care that it does not lead others to think that the concession will be revoked; I put it to you that that danger should be avoided in your report.

I would just end by saying that unless the fraud goes to that particular it is not enough. Mere inadvertence on the part of the Nizam's advisers, be they English or Indian, would not be enough; mere incidental fraud on the part of some official during the course of the negotiations would not be enough, but it must be fraud of that nature which had it been proved,

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proved, as in the case of *Small v. Atwood*, would have released that contract, but which was not proved. The fraud suggested in that case was that Atwood had bought Small's agent with the sum of 30,000 l. or 40,000 l., and so induced him to make his principal buy the mine in that case. Unless there is fraud of that sort proved, this concession ought to be sacred, if for no other reason than because it has passed into the hands of innocent third parties. The sole suggestion of fraud is against Abdul Huk. With regard to Abdul Huk, I say that in no sense of the word, for the purpose which we are now speaking, was he the negotiator of this concession at all; there were many negotiators. The concession passed through several hands; it passed through the hands of the late Sir Salar Jung, Messrs. White, Borrett, and Company, Mr. Cordery, Mr. Fitzgerald, and the Nizam's subsequent advisers, the English Government in India, and the English Government at Home. The concession begins with Abdul Huk, but it passed out of his hands at once. If you carefully look at the documents and the dates which Sir Horace Davey pointed out, you see that is so. You see that the first offer of the 7th of November 1882 was made to Abdul Huk, but that was immediately left to be dealt with by Sir Salar Jung. Take that one document in the correspondence which has been laid before you. You find in that memorandum of Sir Salar Jung, junior, in which he narrates all the circumstances, all that Abdul Huk had to do with the matter, all that his father, Sir Salar Jung, had to do with the matter, and all that the Indian Government, and also that the English Government had to do with it. He puts the whole thing step by step, and he shows how Abdul Huk had, in the first instance, introduced that offer to his father in November 1882; how his father dealt with it, and how it was generally approved of, and further on how it was disposed of on the 5th of November 1883; but there was no question as to the first issue, and we rely upon the difference between the first article in the concession, and the figure of 100,000 l. instead of 150,000 l., and also the same document shows that nothing but the death of Sir Salar Jung prevented the contract being completed on those lines; and if that had been done it is obvious that the concession would have been the work of Sir Salar Jung and the Indian Government, Sir Salar Jung having taken up the concession, and taken it out of the hands of Abdul Huk, and the Indian Government having sanctioned it, certainly there is no fraud suggested with regard to Sir Salar Jung, and still less likely with regard to the Indian Government.

Chairman.] Are not you getting a little away from your limit? Abdul Huk could not have been the agent of the company at that time.

Mr. Pember.] No; but if he was the agent of the Indian Government—

Chairman.] I am putting this in your favour, Mr. Pember. He was not bought by the Company; the Company was not formed.

Mr. Pember.] No; but if he had been bought by the concessionnaires, the title of the Company might be bad.

Chairman.] That is only if the Nizam's Government come and say so.

Mr. Pember.] I have not got a declaration that they will not say so. I have a declaration that my interests somehow shall be taken care of; but what is that worth?

Chairman.] So far as the purposes of this Committee are concerned, you have got a statement by Mr. Mayne before this Committee; but this Committee is not sitting as a court of law, or to decide anything of that kind.

Mr. Pember.] But you will remember, Sir, that the Nizam is an irresponsible potentate; the only people that can keep him in order are the English Government, and if the English Government give him the idea that

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that if he chooses to revoke the concession they will take no steps in the matter, and if he thinks it is worth his while to do it the concession will be revoked. That is the danger I feel, and I do not represent that that is a danger which, as representing the English Parliament, you ought to take care to avert. I submit your Report should be put in such terms, there are lawyers on the Committee, as would express your opinion as to whether the concession was obtained by the fraud of Abdul Huk. On the documents before you, if you had allowed me to do it at length, I should have shown that Abdul Huk had nothing to do with the obtaining of the concession, and that therefore it could not be obtained by his fraud.

Chairman.] If it was not by his fraud, by whom do you say the fraud was perpetrated?

Mr. Pember.] I do not say it was obtained by fraud; I say that it was not obtained by fraud, and therefore I cannot tell you.

Chairman.] If it were obtained by fraud must not Abdul Huk have been the guilty person?

Mr. Pember.] If you ask me who committed the fraud and who did not, I say, I do not know. I say there certainly was no fraud. There is one point which, before I leave this, I am asked very strongly to point out to you, and that is, with regard to the conduct of Mr. Batten, also the position of Lord Lawrence.

Chairman.] Mr. Batten is not now director of the Company, is he?

Mr. Pember.] He is at present chairman of the Company.

Chairman.] Are you speaking of his conduct at the time?

Mr. Pember.] Yes.

Chairman.] You are counsel for the Company?

Mr. Pember.] Yes, and he is the chairman.

Chairman.] Then you are entitled to urge this.

Mr. Pember. What I want to point out is this: very strong observations were made with regard to Mr. Batten, as to what he did in August 1886. In August 1886 Mr. Batten's position was simply that he had to carry out certain arrangements which had been made before his duties were purely administrative.

Chairman.] Arrangements made by whom?

Mr. Pember.] By those who at that time constituted the Company.

Chairman.] Who were they?

Mr. Pember.] Mr. Watson, Mr. Stewart, and Mr. Sharp.

Chairman.] They were the concessionnaires?

Mr. Pember.] At once, and the only shareholders.

Chairman.] You send an agreement; who were the other parties?

Mr. Pember.] It was among themselves. It was an arrangement, not an agreement.

Chairman.] In what interest?

Mr. Pember.] For their own interest.

Chairman.] Then it was not an agreement?

Mr. Pember.] I have said it was an arrangement.

Chairman.] Who protected the Company?

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Mr. Pember.] There was not any company to protect except themselves. They were in the same sort of position as some of the partners in a bank, who were turning themselves into a Joint Stock Bank Company and taking the shares. Supposing they called someone in to go through the legal form of transferring some of the shares to that other person who was merely to take them and to hand them over to others, the duty would be purely administrative. Mr. Batten had no duty to protect anybody. Mr. Batten had no public to look after. The only persons whom he could have looked after were those to whom the shares were going to be allotted. If there were a general public who were going to have shares allotted to them, I concede that Mr. Batten would have to look after them. That would be a very different thing. He would then fall short of his duty if they were not protected, but he was not here in the position of a chairman of a company inviting the public to subscribe to any undertaking at all. His public had already subscribed before he came there. His public were the concessionnaires themselves who were going to allot the shares to themselves. His public were self-invited, and they had already given their acceptance of the shares.

Chairman.] Do we distinctly understand from you that that entity was the Company, and that in respect of future shareholders there was no one to look after their interest whatsoever?

Mr. Pember.] No. Not the interest of future transferees, and I say that nobody was bound to do it. The only persons whom those who are protecting the Company are bound to look after, are the first allottees, and any person who takes afterwards the shares upon the basis of *caveat emptor*. The only persons who came in afterwards were persons who chose to buy from the original allottees, and the original allottees knew exactly what they were buying.

Chairman.] Certainly.

Mr. Pember.] As far as the public was concerned, all that those who come in afterwards have a right to see is that all the documents are in perfect order; and they are all in perfect order, and they were all in perfect order.

Chairman.] Let me ask you this. They knew that the shares would be passed over, transferred. The shareholders could not go and ascertain the value of the property in Hyderabad. Ought not somebody to have seen that the 850,000 l. represented the fair value of what was obtained?

Mr. Pember.] I cannot say so. I think Mr. Batten had not any duty except those persons who took allotments of shares. There was no public here for Mr. Batten to look after. The allottees were Mr. Batten's public. It was not a public Company in that sense.

Chairman.] Of course if Mr. Watson, Mr. Sharp, and Mr. Stewart could not have got rid of those shares, they were mere pieces of paper, and if they could they were worth something.

Mr. Pember.] Yes, but Mr. Batten did not help them to do that by any prospectus, or by concealing any fact, or stating any fact that he ought not to have stated; his name was not printed to the memorandum, or to anything of that kind. He was absolutely blameless in that matter.

Mr. Labouchere.] Then why was Mr. Batten wanted at all?

Mr. Pember.] He was wanted to do the administrative work of making these allotments of shares to the original allottees of the shares, and subsequently to manage the Company. However, I am only concerned to defend Mr. Batten. As far as the Company are concerned, I say nothing whatever about their right may be. The only thing I insist on is this, and I hope you will take care of this, at all events, so far as it lies on you to take care of it, that whatever their rights may be, you will take care of them.

Chairman.]

22 June 1888.

Chairman.] You may be assured the Committee will do all they can to protect the present shareholders.

Mr. Pember.] I am much obliged to you, and there I will stop.

Chairman.] When I say shareholders, of course there are shareholders and shareholders. When I say the present shareholders, I mean the public who became shareholders.

Mr. Pember.] I will pass from that. There is one word I want to add, and I am entitled to say it, I think. I do think that, considering the way in which Lord Lawrence was asked to become a director of this Company, he does deserve the sympathy not only of this Committee, but of all right-thinking gentleman, I think, for a man of his position, a man of the most undoubted and sensitive honour, that he should have been asked practically by a man whom he considered to be the representative of the Nizam's Government, whom he met in high circles in English political society, to become a director of that Company, and suddenly, at this time of day, and after all the knowledge which the Nizam's Government have had since that time, and even before that time, as to the transaction of the concessionnaires and of the formation of the Company, for him suddenly to be told without the slightest warning that he is a director of a bubble company, and that after he has expended large sums of money of his own, and what is far more important, even than using his name as Director, has bought shares, I do think it is a very galling and irritating thing, and I should venture to hope at least that he may have some substantial proof of the sympathy of this Committee. I think the same observations apply to Mr. Cordery.

Mr. Littler.] There is one document of which you will, please, kindly take a note of; that is, the memorandum of White, Borrett, and White, and their observations, which you will find made in the margin of the document on page 12 of the Blue Book. You will see some memorandum of White, Borrett, and White's, especially in paragraph 2, page 12, and paragraph 11 of page 13.

Chairman.] The Committee are obliged to Counsel for their assistance, and they will now adjourn.

Mr. Eardley Norton.] Will you allow me to say a word, in consequence of some remarks that have fallen from my friend Mr. Pember. It may clear away some misapprehension if you will allow me to state that the Nizam's Government had never had, at any time, even before this Committee assembled, any intention to interfere with the title of this Company; and whatever may be the Report which may be brought in by this Committee, the Nizam's Government desire to repeat the assurance which has been given by my learned leader, that the interests of the shareholders will certainly be protected.

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A P P E N D I X.

Appendix A.

PAPER handed in by the Nawab Mahdi Ali.

From the Officiating Secretary to the Government of India in the Foreign Department,
to the Resident of Hyderabad.

Sir,

Fort William, 17 February 1882.

I AM directed to acknowledge the receipt of the letters marginally noted relating to the project to construct a railway from Hyderabad to the neighbourhood of Chanda, in the Central Provinces, with a branch through the Singareni coal-fields, near the banks of the Godaveri River. Since these communications have been received, you have yourself visited Calcutta, and Syed Abdul Hak, the officer entrusted by the Nizam's Government with the charge of the negotiations concerning this project, has also been here, and under these circumstances the whole question has been subjected to very careful examination.

2. In communicating to you the conclusions at which the Governor-General in Council has arrived, I am at the outset to state that the Government of India would view with pleasure the extension of the railway system of the Nizam's State, and entertains no objection to the employment for that important purpose, upon suitable terms, of the agency of a private company composed of persons whose financial position might afford reasonable security that they would be able to fulfil their engagements in a satisfactory manner.

3. The promoters of the present scheme offer terms which appear on the face of them to be highly favourable to the Nizam's Government, both as regards the construction of the new railway and the acquisition of His Highness' existing State line, but very large mineral concessions are sought in return, extending over the whole of the Nizam's territories, and involving the leasing to the promoters of all His Highness' mineral rights for the period of 99 years. The project is therefore clearly one which requires to be carefully scrutinised, both in respect to the character and commercial standing of those who are promoting it, and also as to the real nature and effect of the proposed arrangement taken as a whole.

4. It is obvious that the first point to be taken into account in considering proposals involving financial and other operations of such magnitude, is whether the promoters possess the mercantile standing and credit requisite to insure their success, and to guarantee the Nizam's Government against the embarrassments which would arise from the inability of the company, which it is intended to form, to carry out their undertaking successfully. Into this subject a careful inquiry has been instituted, and it is a source of much regret to the Governor-General in Council that the result of that inquiry has not been such as to justify His Excellency in advising the Government of the Nizam to close with the offers now made to them, unless gentlemen should come forward to support these offers of higher commercial position and more assured means than appear to be possessed by those whose names have at present been prominently mentioned in these transactions. It is true that it has been said from time to time in the course of these negotiations that firms of undoubted reputation are ready to take the projects, but no proof has been advanced that this is really the case, and the Governor-General in Council would strongly advise the Nizam's Minister before proceeding further in the matter to require that some of these capitalists, whose names have thus been hinted at, should come forward and give their support to the undertaking. It is, in the opinion of the Government of India, most essential in the interests of His Highness the Nizam that so important an undertaking as the construction of the new railway, especially when coupled with such large mining concessions as are asked for in the present case, should only be entrusted to persons of whose ability to fulfil their engagement no doubt can be entertained.

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5. The information at the disposal of the Government of India in regard to the commercial standing of individuals is, however, necessarily somewhat imperfect, and the Governor-General in Council would therefore suggest that the Nizam's Government should, before committing themselves to anyone in this matter, consult His Highness' London Agents, who are, it is understood, Messrs. Rothschild, and who will be able to give the best advice which can be obtained as to the financial position of those who may ultimately appear as the promoters of the scheme.

6. Until the project is in the hands of persons of sufficient capital and reputation to justify the Government of the Nizam in entering into negotiations with them at all, it would be useless to discuss questions of detail, and it is therefore only necessary at present to say that special care ought to be exercised in making such large mining grants as those asked for by the present promoters, not to lock up the mineral resources of the country and to check their development by placing them without due restrictions in the hands of persons who may fail to work them.

7. I am further to point out to you that the line of railway under consideration would be easily brought, by the construction of a small line through British territory, into connection with the Wardah Valley line and Great Indian Peninsular Railway, and would then, as an important through communication, form part of the general system of Indian railways. It will therefore be necessary both in the interests of India generally and of the Nizam's State that the Government of India should possess such powers of regulation over the line as are necessary to enable it efficiently to discharge these duties connected with the management of through traffic, the maintenance of an efficient postal system, and the military protection of the Continent, which belong to the position of the Central Government.

I have, &c.
(signed) C. Grant,
Secretary to the Government of India.

Appendix B.

PAPER handed in by the Nawab *Madhi Ali*.

(Private and Confidential.)

The Nizam's Government,
Hyderabad, Deccan, 5 January 1882.

My Dear Syed Abdul Hak,
I HAVE no doubt His Highness' Government will appreciate at their full value the services you have rendered in originating and maturing the Chanda Railway Scheme, when it is carried through; but as the work you are doing is outside your official capacity, and your services to the promoters of the scheme will have been just as valuable as to His Highness' Government in case of the scheme being carried through, I write a line to assure you that I shall have no objection to your receiving any remuneration on the Railway and Mining schemes with which they may reward your services, and that I shall consider whatever you receive from them as only your due.

I am, yours sincerely,
(signed) Salar Jung.

Appendix C.

PAPER handed in by the Nawab *Mahdi Ali*.

(P. W., 768.)

Sir,
India Office, S.W., 24 May 1882.
I AM directed by the Marquis of Hartington to acknowledge receipt of your letter, dated 26th April last, reporting your arrival as an agent deputed by the Government of His Highness the Nizam of Hyderabad, with the approval of His Excellency the Governor-General of India in Council, for the purpose of negotiating with persons of financial credit and character in order to carry out a scheme embracing the extension of railways in the Nizam's territory by means of private capital and enterprise, and other matters.

I am to inform you, that you are at full liberty to act upon the instructions you have received from the Government of His Highness the Nizam, and that the Secretary of State in Council will be ready at any time during the progress of your negotiations, of which you will no doubt keep his Lordship informed, to give you such advice and assistance as you may desire.

He thinks it, however, necessary at the outset to apprise you that, in his opinion, you would meet with serious difficulty if, in your communications with London capitalists, you were to propose any method of dealing with the rights of the shareholders of the existing Company, such as appears to have been suggested to His Highness the Nizam's Government by certain lawyers of Bombay, and to which the Secretary of State in Council could not possibly give any countenance.

Further, his Lordship in Council desires that it may be borne in mind, during the course of the transactions, that the Government of India has a right to work the existing railway under the engagement with the Government of His Highness the Nizam, and that this right will not be surrendered or transferred unless under terms and conditions entirely satisfactory to the Government of India.

The Secretary of State in Council will expect to be informed of any engagements into which you may propose to enter before their actual completion, and he desires me to state explicitly that he will recognise no liability, financial or otherwise, in relation to any Company or persons with whom you may negotiate, excepting so far as a specific contract may be entered into directly between the Company, the Secretary of State, and the Nizam's Government, with the intention of defraying such liabilities.

I am, &c.
(signed) Louis Mallet.

Abdul Hak Sirdar Diler Jung Bahadur, C.I.E.,
Alexandra Hotel, Hyde Park.

Appendix D.

PAPERS handed in by the Nawab *Mahdi Ali*.

Foreign Department.—General.

From the Secretary to the Government of India to the Resident at Hyderabad.

Sir, Fort William, 15 March 1883.

I AM directed to refer you to correspondence ending with my telegram, No. 613 I. of the 9th instant, regarding projects for railway extension in His Highness the Nizam's dominions.

2. Schemes of this nature have been from time to time under the consideration of the Governor-General in Council during the last 15 months. In my letter, No. 211 I.G., dated the 7th February 1882, you were informed that the Government of India would approve of the extension of the Nizam's railway system by the agency of a private company of unquestionable financial credit and position. The Governor-General in Council was not, however, satisfied with the financial prospects of the project then under discussion. A few weeks later Saiyid Abdul Hak was permitted to proceed to England for the purpose of negotiating with European capitalists on behalf of His Highness' Government. The terms which he was at first able to secure did not commend themselves to the late Sir Salar Jung; and, when you were addressed in my letter, No. 1191 I., dated the 9th November 1882, it seemed probable that the project would be, at least temporarily, abandoned. Recently, however, Saiyid Abdul Hak has, with your permission, personally laid before the Government of India a fresh scheme, which, after careful consideration, received the full approval of the late Minister, and which you regard as being generally advantageous to the Hyderabad State. I am now directed to convey to you the views of the Governor-General in Council on the subject.

3. Messrs. Morton, Rose & Co., merchants, of London, propose to form a joint-stock company with a view to purchasing the Nizam's State Railway for the sum of 1,250,000 £.; and they offer to construct another railway on the broad (5' 6") gauge from Hyderabad to a point within the territories of the Nizam near Chanda, together with a branch line from Warangal in His Highness' dominions to the western bank of the River Godavari, or near Biswada on the Kistna Delta; the total mileage being from 363 to 403 miles.

4. Connected with this proposal is another for the concession of certain mining rights throughout the Nizam's dominions to a distinct company, represented by Messrs. Watson and Stewart of London, which would undertake to guarantee a fixed minimum mineral traffic for the new railway in consideration of certain facilities of conveyance.

5. Such are the outlines of the scheme under consideration. It is unnecessary for the Government of India to discuss at length the details which are ably and exhaustively set forth in Saiyid Abdul Hak's note of the 1st January 1883, and in the late Sir Salar Jung's memorandum of the 10th idem. The three questions of principle on which the Government of India, as the paramount power, are bound to satisfy themselves in a transaction of this kind are—first, that the Native Government fully realises its responsibilities and obligations; secondly, that every reasonable precaution has been taken to protect its interests; and thirdly, that the European contractors distinctly understand that the Government of India disclaim all responsibility whatsoever in respect of the soundness of the basis on which their proposals may be founded, and of the general success of the enterprise to which they relate. In the present instance it is manifest from the late Minister's memorandum that he thoroughly understood this scheme, and was fully prepared to accept the liabilities which it entailed on the Hyderabad State. Further, Messrs. Morton, Rose & Co., one of the contracting firms, occupy a financial position which cannot be questioned. The Governor-General in Council is not in the possession of accurate information regarding Messrs. Watson and Stewart, but he has no reason to doubt that the result of inquiries which will be instituted regarding them will prove satisfactory. With regard to the third question, Her Majesty's Secretary of State has long since been in possession of the views of the Government of India, and a further communication will at once be addressed to his Lordship on the subject, in order to prevent the possibility of misapprehension on the part of the promoters.

6. Generally, therefore, I am to say that the schemes which are now under consideration are approved by the Government of India. There are, however, certain matters of detail with regard to which the Governor-General in Council desires you to invite the attention of His Highness the Nizam's Government, and these are enumerated in the following paragraphs of this letter.

7. Turning first to the railway scheme, I am to say that the Governor-General in Council has no objection to the surrender of the rights, reserved to the British Government by the agreement of the 19th May 1870, for the working of the existing Nizam's State

State Railway. It is understood that the matters contemplated in that agreement will be sufficiently provided for by the conditions of the new contract.

8. The phrase "general structural character," in clause 5 of the draft contract, is too vague; the standard dimensions of fixed structures and rolling stock, as laid down by the British Government for the 5' 6" gauge should be strictly followed.

9. For British mail services, troops and stores, the provisions in clause 12 of the draft appear to be generally sufficient and suitable, but in settling the contract some of the terms might be brought into closer accordance with the forms recently adopted by Her Majesty's Secretary of State. The draft contains no provision for running power, facilities and accommodation for other Railway Companies, and for the State as to State Railways. Such provision is essential.

10. The obligation regarding transport of coin and bullion should be extended to British coin and bullion.

11. As to telegraphs, I am to observe that the draft clause 14 concedes to the telegraphic department of the company a degree of independence which is unusual, which will be expensive, and which might be inconvenient. The proposal goes quite beyond clause 20 of the agreement of the 19th May 1870, and is contrary to the policy which has been uniformly adopted by the Government of India in dealing with telegraphic lines through Native States. The proposed arrangement may also prove very expensive to the Government of India, as necessitating the erection of separate posts for an alternative line to Madras, which is of great importance, and which should be facilitated by the construction of the railway now projected. I am to point out that one set of Government posts would carry both the Government and the Railway wires; and that, if the telegraphs of the latter were put under the Rules for licensed telegraphs (Resolution of the Government of India in the Public Works Department, No. 203—35 T. of the 2nd May 1882), the lines could be maintained, the messages of the public dealt with, and the offices technically supervised, under the system which is in successful working throughout all other parts of India. At the same time the company's own signalling staff would be exclusively controlled and paid by them, subject only to the penal clauses of the Telegraph Act (I. of 1876), which should be made applicable, just as the Railway Act would be under clause 18 of the railway schedule.

12. Regarding subjection to legislation, clause 18 is not altogether definite; but it will no doubt be possible to make independent arrangements with the Nizam's Government, which will provide for the application of the Railway Act for the time being in force in British India.

13. It should be added to clause 29 that the company shall keep the half-yearly accounts in such form as the Nizam's Government may from time to time prescribe; and it would be desirable that the Nizam's Government should follow, as far as possible, the forms adopted by the Government of India; but a specific stipulation to this effect is not necessary. The obligation in clause 35 regarding statistics, might with advantage be permanent, and not merely binding until the Nizam's advances have been repaid.

14. With regard to connections between the new lines and the railway system of British India, it appears that the northern junction will take place at the River Wardha, which is the boundary between British India and the Nizam's territory. A large bridge will be required there, and from 30 to 35 miles of railway in British territory, up to Warora, the terminus of the Wardha State Railway. In October last surveys and estimates for the bridge and line were ordered by the Government, but they have not yet been completed. It is clear, however, that the bridge is likely to be costly, and would swamp the profits of the short extension in British territory, if debited to it. For the southern junction, two alternatives are named in the papers, viz., the western bank of the Godavari (presumably near Madavaram and Polaram, opposite Bhadrachalam), and "near Biswada." The latter is understood to mean a point on the Nizam's frontier nearest to Biswada, which is in British territory, about 32 miles from such a point. As Biswada is in direct canal communication with Madras, and as the railway through the Karnul district and Gantur, which is now under survey, will have a terminus opposite to it on the River Kistna, this is decidedly the preferable of the two alternatives. I am to add that the Madras Government recently advocated the survey of a line from Biswada to Singareni, and the Government would endeavour to undertake it next season, as far as the

British frontier, to meet the surveys which would doubtless be commenced by the Nizam's Railway Company. The mileages to be constructed by the company and the British Government would thus be, approximately, as shown in the margin, the company's share being somewhat less than even the smaller alternative which they seem to have anticipated.

15. As regards both these connections, the Government of India would be prepared to construct at their own cost the necessary lengths of railway; but they are of the opinion that

Hyderabad to Wardha river	225
Wurungul via Singareni to British frontier	119
Total to be made by the Company	338
Add—to be made by the Government of India—	
Wardha to Warora	31
Biswada to frontier	32
	63
	401

that the cost of the Wardha bridge should be borne in great part by the Nizam's Railway company, which would be the chief gainer from it. Both lines could conveniently be worked by the company, and also the existing line from Warora (43 miles) to Wardha, as the latter place would be the most convenient point for a junction with the main system of British India. Financially, a "construction and working" agreement with the company for the whole would be the simplest and least onerous arrangement, and as the capital which they contemplate would suffice for the extra British mileage, they would perhaps be willing to conclude one.

16. The proposed terms of contract for the construction of the line cannot be technically criticised in the absence of far more complete information than is forthcoming. The rate, 6,540 l. (Rs. 76,080) per mile appears to be a full price, but possibly it might be found not excessive if the bridging and gradients were known. The stipulation regarding stations, however, is too vague; and the provision for rolling-stock is utterly insufficient, even for a first equipment, being lower than that of the existing Nizam's Railway, which is the worst found in India. A table of rolling-stock on various lines is appended to this letter, as some guide to a sufficient provision, in making which the expected mineral traffic should not be overlooked. There will thus be a considerable call on the reserve capital which the company very wisely provide.

17. With reference to paragraph 7. of my letter, No. 211 I. G., dated 17th February 1882, I am to say that, independently of what is specified in the contract, the Government of India require merely a written arrangement with the Nizam's Government which will ensure periodical inspections of the line by officers either appointed or approved by them; the same priority of right to the resources of the line in time of great public emergency as they can claim on guaranteed railways; the adoption by the Nizam's Government of the railway and telegraph law in force in British India for the time being, and the enforcement by that Government of all the engagements of the company towards the British Government.

18. In regard to the mining scheme, it is in the first place obvious that the establishment of coal mines and iron work at, or near, Singareni is likely to have an important effect upon railways to the southward, by enabling them to draw largely and profitably upon both minerals. Iron exists at Polaram, in close juxtaposition with the coal of Madavaram on the Godavari, and may therefore very probably be found near Singareni, but the Government of India have no accurate information on this point, as the Geological Survey has not systematically examined the Nizam's dominions. If the ore be available, it is clearly most desirable to establish steel works without delay, so that the company may have the initial advantage of making the large quantity of rails required for the projected railway itself, or at least a portion of it. Supposing Singareni, instead of Chanda, to be third in a system of three centres of iron manufacture, the railway mileage which it would command for equipment or renewals may be estimated as follows:—

The canal from Biswada to Madras must be considered as a means of transport in addition to that afforded by the railways, and, assuming that a ton of permanent-way material can be carried by boat from Biswada to Madras, about 274 miles, for three rupees, the cost per ton of Singareni manufacture at Madras will be—

	Rs.	a.	p.
Singareni-Biswada, about 75 miles, by rail	-	2	5
Biswada-Madras, about 274 miles by water	-	3	-
Total	-	5	5

Singareni cast-iron cannot therefore compete with that imported at Madras, but locally manufactured steel will be the cheaper by Rs. 4-10-6 per ton, and this difference represents about 150 miles of railway carriage.

Negapatam and Goa are the only other ports affecting the Singareni area, where sufficient facilities exist for landing imported materials. The former will serve a large portion of the South Indian, and the latter probably the whole of the Southern Mahratta, railway system.

The mileages in the Singareni area work out as follows, on the assumption that the extensions of the Nizam's railway shown below will be carried out:—

	Steel.	Miles.
Broad gauge—		
Nizam's Railway	-	121
Extension of Nizam's through Warangul to Wurora	-	256
Wurungul through Singareni to Biswada	-	145
Wurora-Wardah	-	43
Wardah towards Bilaspur	-	103
Wardah towards Bhusawal	-	90
Cuddapah-Nellore	-	94
Wadi-Raichur	-	67
Madras Railway	-	861
Wadi towards Bombay	-	188
Total broad gauge	-	1,968

Metre

Metre gauge—	Miles.
South Indian	247
Bangalore-Mysore	86
Adoni-Kurnul-Guntur	280
Total metre gauge	613

Cast Iron.—The mileage will be the same as in the case of steel, with the following reductions:—

	Miles.
Wadi towards Bombay	90
Madras Railway	838
Bangalore-Mysore	86
South Indian	247

leaving a total mileage of—

Broad gauge	1,040
Metre gauge	280

The total mileages commanded are therefore 2,581 miles for steel (of which from 338 to 401 will be for first equipment), and 1,320 for cast-iron.

19. In the case of coal, the mileage commanded will probably not be far different from that in the case of steel. It is presumed that a limited price for coal consumed by this railway on the one hand, and a maximum rate of freight for coal supplied by the company to "foreign railways" on the other, will be essential elements in the terms referred to in the 6th clause of Messrs. Watson and Stewart's proposal of the 7th November 1882.

20. The terms of the 6th clause of the mining proposal are very vague, but the Governor-General in Council is not inclined to recommend its rejection on this account. Assuming the coal freight as six pices per ton per mile, and the working expenses as 50 per cent., of gross earnings, 7,200,000 ton miles will be required in order to yield 1 per cent. on the capital of 4,500,000 l. A statement appended to this letter shows the consumption of fuel on the Madras railways and on the existing Nizam's railway. Assuming again that the consumption of the latter will be trebled by the proposed extensions, and that one-third weight of coal will take the place of wood fuel, a demand of 52,000 tons per annum, carried an average distance of 131 miles, will be required in order to make up the 1 per cent. This will not be readily secured, but the demand may perhaps be increased from other sources than those named.

21. I am to invite your particular attention to the fact that the right to future discoveries of minerals for five years, which is mentioned in the first clause of the proposal, is omitted from both the schedule and in paragraph 46 of the late Sir Salar Jung's memorandum. The indefinite character of the concession may lead to difficulties; but that is a matter mainly for the consideration of the Nizam's Government. Moreover, both the railway and the mining proposals are defective in their arbitration clauses, seeing that they do not provide for the contingency of arbitrators differing as to the selection of an umpire.

22. The Governor-General in Council concurs with you in thinking that the provisions in the two proposals and schedules in respect of police arrangements and jurisdiction are not satisfactory; but he considers that their shortcomings are probably due to misapprehensions as to local requirements which you will have no difficulty in removing. The only provision of this nature which is objectionable in principle is clause 13 of the mining schedule. This would admit the possibility of Europeans being tried by a mixed court, and would thus contravene the terms of the engagement entered into by the Nizam's Government under the *Sanad* of the 10th July 1861. It is also open to the objections noted by you in the memorandum accompanying your letter, No. 180, of the 27th February.

23. With regard to your letters, Nos. 180 and 181 A., dated respectively the 27th February and the 1st March 1883, I am to say that you are at liberty to suggest to the Nizam's Government such minor alterations in the wording of the proposals and schedules as may seem to you to be appropriate, provided that they are not likely to retard the prosecution of the schemes themselves.

24. Finally, I am to say that the Governor-General in Council considers it to be of the first importance that a definite decision should now be arrived at with the least possible delay regarding these schemes. If, therefore, you find that the Nizam's Government are prepared to accept such of the suggestions set forth in this letter as materially affect British interests, you are authorised to advise them to communicate by telegraph to Messrs. Morton, Rose and Co., before the first proximo, a general acceptance of their proposal; subject to the settlement of details hereafter; and to follow up this action in a prompt and effectual manner.

I have, &c.
(signed) C. Grant,
Secretary to the Government of India.

Appendix E.

PAPER handed in by Mr. L. L. Hall.

AGREEMENT TO TRANSFER CONCESSIONS.

THIS AGREEMENT made the sixteenth day of August one thousand eight hundred and eighty-six, between WILLIAM CLARENCE WATSON, of No. 7 Great Winchester-street, in the City of London, Merchant; and JOHN STEWART, of No. 26, Throgmorton-street, in the said City, Esquire (hereinafter referred to as "the Concessionnaires") of the first part, the several persons whose names, addresses, and descriptions, are set out in the Schedule hereto of the second part, and the HYDERABAD (DECCAN) COMPANY, LIMITED (hereinafter referred to as "the Company") of the third part.

Whereas by an Indenture dated the seventh day of January one thousand eight hundred and eighty-six (hereinafter called the said Concession) and made between Nawab Mir Laik Ali Khan Bahadur Salar Jung Munir-ud-Daulah Mukhtar-ul-Mulk Imadas Sultana Prime Minister to His Highness the Nizam acting on behalf of the Government of His Highness the Nizam (thereinafter and hereinafter referred to as "the Government") of the one part and the Concessionnaires of the other part (a print of the said Concession is annexed hereto and shall be deemed a part of these presents) certain rights have been conceded to the Concessionnaires with reference to the lands mines and property situate in the territories of His Highness the Nizam (hereinafter referred to as the said territories) as in the said Concession referred to and upon the terms and conditions and subject to the obligations and with the collateral privileges in the said Concession more particularly mentioned.

And whereas the capital for the construction of the line from Warrangul to Singareni referred to in Clause 1 of the said Concession was assured on or about the twenty-fourth day of March last.

And whereas the Company has been formed and registered in London as a Company limited by shares under the Companies' Acts 1862 to 1880 with a capital of one million pounds divided into one hundred thousand shares of ten pounds each and having for or among its objects the acquisition of the rights and liabilities of the Concessionnaires under the said Concession and the execution of the works therein referred to and one hundred and fifty thousand pounds of the share capital of the Company has been subscribed for and fifteen thousand shares allotted accordingly and seventy-five thousand pounds has been actually paid up on the said fifteen thousand shares.

And whereas the persons parties hereto of the second part are the holders of the said fifteen thousand shares and the numbers which they respectively hold are set opposite their respective names in the Schedule hereto.

And whereas it is intended that the eighty-five thousand shares (residue of the said capital of one hundred thousand shares) shall be allotted as fully paid-up as hereinafter appears and it is anticipated that the Company will work and develop the said Concession by subsidiary companies and that it will not be necessary to increase the capital of the Company or to issue further shares.

And whereas the Concessionnaires have incurred considerable expense in and about obtaining the said Concession and thereunder and in and about the formation of the Company and procuring subscribers for the share capital so subscribed and paid up as aforesaid.

And whereas the Concessionnaires have agreed to transfer to the Company the benefit of the said Concession and the rights and obligations of them the Concessionnaires thereunder upon the terms and in the manner hereinafter appearing and the Company has agreed to adopt the said Concession and to make itself liable to make the payments mentioned in Clause 11 of the said Concession and in all other respects liable under the said Concession to the same extent as the Concessionnaires are or would be liable.

And whereas these presents are executed with the privity and concurrence of the holders of the said fifteen thousand shares testified by their executing these presents.

Now it is hereby mutually agreed as follows:—

1. The Concessionnaires in consideration of the covenants and agreements hereinafter contained on the part of the Company hereby assign and transfer to the Company the said Concession and all benefit thereof and all the rights powers privileges and premises of what kind and nature soever expressed to be conceded or granted to the Concessionnaires or intended so to be or held and enjoyed by them under the said Concession to hold the same for the term in the Concession provided they the Company undertaking (as hereafter more particularly contained) to fulfil and discharge all and every the liabilities and obligations of the Concessionnaires under the said Concession or in anywise connected therewith or incident thereto.

2. The Company hereby covenant and agree with the Concessionnaires as follows: that they the Company do hereby adopt the said Concession and acknowledge that they are liable for and will make the payments mentioned in Clause Eleven of the said Concession and in all other respects are liable for the liabilities and obligations imposed upon or undertaken by the Concessionnaires by and under the said Concession to the same extent

as

as the Concessionnaires are or may be or become liable and will in all respects fulfil discharge perform and observe the same and hereby further covenant and agree to indemnify the Concessionnaires and each of them from and against all liability claims and demands whatsoever in respect thereof.

3. The Concessionnaires will forthwith notify to the Government of His Highness the Nizam that the transfer of the said Concession to the Company has been effected.

4. The Concessionnaires have paid or will pay all the expenses and outgoings of and incident to the obtaining of the said Concession and payable thereunder to the date hereof and of and incident to the explorations testings and workings to the date hereof and of and incident to the formation of the Company and the establishment thereof down to the tenth day of August one thousand eight hundred and eighty-six the date of the allotment of the said fifteen thousand shares and hereby indemnify the Company against all claims and demands in respect thereof and the Concessionnaires shall be entitled to all profits (if any) from the said Concession or anything done thereunder up to the date hereof and from and after such date the Company shall be entitled to all profits and shall pay all outgoings.

5. In consideration of the premises the Company shall before the twentieth day of August next procure this Agreement or such other or further Agreement as may be necessary or reasonably required by the Concessionnaires to be filed with the Registrar of Joint Stock Companies and shall thereafter on or before the tenth day of September next allot to the Concessionnaires or to their nominees the remaining eighty-five thousand shares of ten pounds each in the Company which shares shall be deemed for all purposes to be fully paid up and shall be numbered in the books of the Company with the numbers 15,001 to 100,000 inclusive and the Concessionnaires hereby accept such shares in full discharge of all claims and demands whatsoever in respect of the transfer of the said Concession and of the payments and expenses made or incurred by them as aforesaid.

In witness whereof the parties hereto of the first and second parts have hereunto set their hands and the Company have caused their common seal to be affixed the day and year first above written.

THE SCHEDULE ABOVE REFERRED TO.

NAMES.	Addresses and Descriptions.	Number of Shares.
William Clarence Watson - - -	7, Great Winchester-street, London, E.C., Merchant.	4,995
John Stewart - - -	26, Throgmorton-street, London, E.C., Banker.	5,000
Henry Parkinson Sharp - - -	6, Curzon-street, Mayfair, London, of no occupation.	5,000
Charles Albert Winter - - -	7, Great Winchester-street, London, Solicitor.	1
James Hemmerde - - -	26, Throgmorton-street, London, Bank Manager.	1
George Henry Maxwell Batten - -	3, Ralston-street, Tedworth Square, London, S.W., Barrister-at-Law.	1
Richard Pearce - - -	Lanarth House, Holder's Hill, Hendon, Secretary to a public company.	1
John Martyn Milne - - -	Springfield, 13, Ravensborne-road, Catford, Accountant.	1
		15,000

Signed by the above-named William Clarence Watson; John Stewart; Charles Albert Winter; James Hemmerde; George Henry Maxwell Batten; Richard Pearce, and John Martyn Milne in the presence of

W. C. Watson.

J. Stewart.

H. Parkinson Sharp.

E. A. Bonnor Maurice,
46, Parliament-street, Westminster,
Solicitor.

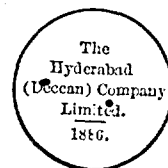
Signed by the above-named Henry Parkinson Sharp, in the presence of

Campbell Clarke, Gentleman,
Athenæum Club.

The Common Seal of the Company was affixed in the presence of,

G. H. M. Batten, Director.

E. A. Bonnor Maurice, Secretary.



Appendix F.

PAPER handed in by Mr. L. L. Hall.

Regn., 5 s.

10 s.

An AGREEMENT made the 17th day of August 1886 between THE HYDERABAD (DECCAN) COMPANY, LIMITED (hereinafter called the Company) of the one part, and WILLIAM CLARENCE WATSON, of 7, Great Winchester-street, in the City of London, Merchant, and JOHN STEWART, of 26, Throgmorton-street, in the said City, Esquire, of the other part.

WHEREAS by an Agreement dated the 16th day of August 1886, and made between the said William Clarence Watson and John Stewart, therein and hereinafter called the Concessionnaires, of the first part, the several persons specified in the Schedule thereto of the second part, and the Company of the third part, it was agreed that the Concessionnaires should assign and transfer to the Company certain rights conceded to the Concessionnaires with reference to the lands, mines, and property situate in the territories of His Highness the Nizam, and that in Exchange therefor the Company should allot to the Concessionnaires eighty-five thousand shares of ten pounds each in the Company, which shares should be deemed for all purposes to be fully paid up, and should do all things necessary for that purpose.

And whereas the said Agreement has been duly adopted by the Company.

Now these presents Witness that it is hereby agreed as follows:—

1. The Company shall forthwith cause this Agreement to be registered with the Registrar of Joint Stock Companies.
2. On or before the 10th day of September next the Company shall allot to the Concessionnaires or their nominees 85,000 fully paid-up shares in the Company.
3. The said shares shall be numbered 15,001 to 100,000, both inclusive, and shall be accepted by the Concessionnaires in full satisfaction of all claims and demands whatsoever of the Concessionnaires in respect of the assignment and transfer as aforesaid, and otherwise as in the said Agreement more particularly set forth.

In witness whereof the Company has caused its Common Seal to be hereunto affixed, and the parties hereto of the other part have set their hands the day and year first above written.

The Common Seal of the Company was affixed in the presence of—

G. H. M. Batten, Director.

E. A. Bonnor-Maurice, Secretary (*pro tem.*).

Witness to the signatures of the above-named William Clarence Watson and John Stewart.

E. A. Bonnor-Maurice.

L. S.

W. C. WATSON.
J. STEWART.

Registered with the Registrar of Joint Stock Companies.

Appendix G.

PAPER handed in by Mr. W. C. Watson.

The Hyderabad (Deccan) Company, Limited.

EXTRACT from "Standard," Monday, 13 December 1886.

"People have been much puzzled lately by allusions to a Company called the Hyderabad (Deccan) Company. Its shares were said to be going up wonderfully fast, but why, no one could discover. Perhaps the following copy of the chief clauses in the original Agreement between the Company and the 'Concessionnaires' may throw light on this point:—

"Whereas, by an Agreement dated the 16th day of August 1886, and made between the said William Clarence Watson and John Stewart, therein and hereinafter called the Concessionnaires of the first part, the several persons specified in the Schedule thereto of the second part, and the Company of the third part, it was agreed that the Concessionnaires should assign and transfer to the Company certain rights conceded to the Concessionnaires with reference to the lands, mines, and property, situate in the territories of His Highness the Nizam, and that, in exchange therefor, the Company should allot to the Concessionnaires 85,000 shares of 10*l.* each in the Company, which shares should be deemed for all purposes to be fully paid up, and should do all thing necessary for that purpose. And, whereas the said Agreement has been duly adopted by the Company. Now, these presents witness that it is hereby agreed as follows: (2) On or before the 10th day of September next the Company shall allot to the Concessionnaires or their nominees, 85,000 fully paid shares in the Company. (3) The said shares shall be numbered 15,001 to 100,000 both inclusive, and shall be accepted by the Concessionnaires in full satisfaction of all claims and demands whatsoever of the Concessionnaires in respect of the assignment and transfer, as aforesaid, and otherwise as in the said Agreement more particularly set forth."

Appendix H.

PAPER handed in by Mr. W. C. Watson.

Private Memorandum.

THE HYDERABAD (DECCAN) COMPANY, LIMITED.

CAPITAL £. 1,000,000, in 100,000 Shares of £. 10 each, 85,000 being fully paid, and 15,000 on which £. 5 per Share is paid.

THIS Company has been formed and registered, and has acquired the concession dated 7th January 1886, granted to Messrs. Watson and Stewart by the Government of His Highness the Nizam, with the approval of H.M. Secretary of State for India.

The concession grants for a term of 99 years the right to work the following coal and iron mines, viz.:

The Singareni coal and iron mines.

" Kammam	"	"
" Sasti	"	"
" Paoni	"	"
" Nirmal	"	"
" Hanamkonda	"	"
" Yelgandal	"	"
" Medak	"	"

The concession also grants the monopoly up to the end of 1891, to prospect, test, and select for development, all mines, minerals, mineral oils, and mineral substances of what kind soever, precious metals, precious stones, and diamonds, throughout all portions of the territories of His Highness the Nizam, comprising an area of about 82,700 square miles, and the use of all roads, rivers, watercourses, and lands required for the purposes of mining. All lands so selected will be leased to the Company or its nominees by the Nizam's Government, for a period of 99 years, subject to royalties to the Nizam's Government.

The Nizam's State Railway will be opened up to the Singareni coal-fields within about 12 months from this date, putting them into communication with the whole railway system of India. Extensive operations are now being carried on at the coal-fields, so as to have the mines ready to supply the coal that will be required for railway purposes; this quantity is estimated by the Government of India at 183,988 tons per annum, without taking into consideration the supplies that will be needed for industrial purposes, and the supply required by the city of Hyderabad and Secunderabad (pop. 354,962), and other important cities and towns connected by the railway with the mines and for steam shipping on the Madras coast ports, and the cotton and other factories at Madras and elsewhere. These requirements will probably equal, if not exceed, the quantities required by the railways. Considering the low price of labour and the present great cost of fuel in this part of India, the profits to be derived from this source alone must be very considerable. Railway communication will enable coal to be cheaply delivered at Hyderabad and the adjoining cantonment of Secunderabad, as well as at other large cities and towns on the line of railway, at present lighted entirely by oil and candle. These cities and towns will then be able to avail themselves of the coal for the purpose of gas-lighting, which will constitute another considerable market for the coal.

The Government of India has estimated that the Singareni coal-field will command the market throughout the whole of India south of the Kistna, including the entire Presidency of Madras, a considerable portion of the Bombay Presidency, and the Native States of Mysore and Travancore, also the state of Hyderabad and the country to the north and west thereof (*vide* accompanying note of the Public Works Department of the Government of India).

Official reports, based on borings, state that the Singareni coal-fields contain 46,500,000 tons of good serviceable steam coal.

The other coal-fields will be opened out as the railway is extended in their direction, the supply from them is unlimited, the quality good, and a ready market to the North and East will be available.

The

The famous Golconda diamond mines, situate in the Nizam's territory, are included in the concession. For many centuries no other diamonds were known, and the whole world was supplied from these mines, which have not been effectively worked for about two centuries; it is stated that the cause of the cessation of the working by the natives was the influx of water, which overcame the means then used by the miners. Diamonds are now found by the natives in the refuse and waste heaps of the old mines, although the most primitive system of washing is used. This fact is, in the opinion of diamond mining experts, conclusive evidence of their existence in paying quantities, when mined for and washed by the modern system adopted at the Cape diamond mines. A reliable expert from the Cape considers these mines will prove of immense value, and probably exceed any yet discovered in South Africa. Golconda stones are well known to be purer and more valuable than the produce of any other mines. Arrangements have already been made and machinery ordered for opening out these mines in the ensuing cold season, and the services of an experienced and practical Cape diamond mining expert have been secured.

The value of diamonds exported from the Cape during the last 10 years exceeds 40,000,000*l.*, and there are no reasons why the Golconda mines, when effectively worked, should not be equally prolific.

Gold will be prospected for during the ensuing cold season in the districts in which it is reported to exist and be workable, and, in order to obtain the most reliable data on this and other matters, the services of an Indian Government official of the Geological Survey are in course of being obtained.

Garnets are found, and during the last few years have been exported in large quantities.

Hematite iron ore of a quality superior to the best Swedish exists in the vicinity of the Singareni coal-fields as well as beds of limestone, the quantity being practically inexhaustible. Labour being plentiful and cheap, these mines can be profitably worked as soon as the railway is completed and the coal mines developed.

Mr. Foote, of the Geological Survey of India, who was specially deputed by the Government of India to report on iron and coal in the vicinity of the Nizam State Railway, reported in March 1884 as follows:—

"You will be glad to hear that I found, some miles to the south of Singareni, a superb bed of magnetic iron of great extent, and so rich that I should have classed it as 'first rate,' even in Salem district. Its position, too, is all that can be desired, for its northern extremity is only about a mile from the spot where the railway ought to enter upon the coal-field in coming from the south. There is ore enough to supply a very large iron industry for a century to come. Altogether, the little coal-field seems to have a bright future."

Talc exists, and can be obtained in large quantities.

Petroleum is said to exist, and to have been used by the natives for years past. The wells will be tested to ascertain if oil exists in paying quantities.

It is not proposed that the present Company should itself undertake active mining operations, but that it should prospect and form subsidiary Companies to work the various mines which it may be decided to develop, and grant to them the necessary leases. The profits of this Company will be the amounts paid in cash by the subsidiary Companies or persons for their leases and rights, together with such rents, royalties and shares as may be reserved.

The Nizam's Government have, by the concession, agreed to grant leases to this Company or its nominees, and it is expressly provided that no forfeiture of any particular lease will invalidate the concession or any other lease.

The accompanying pamphlet, extracted from the "Historical and Descriptive Sketch of His Highness the Nizam's Dominions," compiled by Syed Hossain Bilgrami, B.A., and C. Willmott, of H. H.'s Civil Service, affords further particulars and details of the mineral resources and wealth of the territory comprised in the concession.

August 1886.

Appendix I.

PAPER handed in by the *Nawab Mahdi Ali*.

MEMORANDUM of Sirdar Diler Jung, of 7th May 1887.

Marked "Strictly Secret" to the "Home Secretariat." Translations of Urdu Memorandum.

It will be seen from para. 2 of the Resolution herewith put up of Government in the Home Department, No. 165, dated 9th March 1887, issued with reference to the agreement herewith put up, entered into on the 7th January 1886, between the Government of His Highness the Nizam and Messrs Watson and Stewart, that these gentlemen, who had been granted certain mining concessions in His Highness's dominions, had, in pursuance of the provisions of the above agreement, formed a joint stock company, styled the Hyderabad (Deccan) Company, Limited, and had transferred to it the concessions and all benefits and obligations thereunder. The Company was duly registered and incorporated under the Companies Acts, 1862 to 1883, on the 29th July 1886. It will further be seen that the amount of share capital subscribed is 150,000 £, in 15,000 shares of 10 £ each, and that the remaining capital of the Company consists of 85,000 fully paid-up shares of 10 £ each, representing 850,000 £, thus making up the one million sterling capital of the Company.

It is, perhaps, necessary that I should again explain that the 85,000 shares fully paid appear to have been received by the Concessionnaires, Messrs. Watson and Stewart, from the Company as a consideration for the relinquishment of the concession, and that the Directors have, with the consent of the Shareholders, given them 85,000 fully paid shares. An agreement to this effect has been entered into and registered into the Company's office, in accordance with the provisions of the Act above referred to.

Acting on the advice of the legal advisers of His Highness's Government, I urged the fixing of the subscribed capital at 500,000 £. (*vide* revised draft herewith put up, and His Excellency the Minister's letter to the First Assistant Resident, dated the 14th January 1885).

On Mr. Winter's urgent representation, however, His Excellency the Minister agreed to reduce the subscribed capital to 250 £, but the Government of India, in two printed memoranda, showing, A., the alterations proposed in the agreement; and, B., the reasons for the proposed alterations, suggested the further reduction of the subscribed capital from 250,000 £ to 100,000 £, on the ground that the Singareni coal-fields could be efficiently worked with a capital of the reduced amount.

My object in urging the fixing of the subscribed capital at 500,000 £ was to secure the soundness of the undertaking and prevent the concessionnaires making the project a purely speculative concern, and reaping an unduly large profit, for the legal advisers of Government in suggesting that at least half the capital should be subscribed, pointed out in their letter (herewith put up) that the concessionnaires wished to raise only 100,000 £ by debentures, and not to provide any share capital. The Company would thus be merely a "Founders' Company" or a simple agency for finding parties willing to take leases.

In his letter to the First Assistant Resident, dated 10th August 1885, the Minister observed that His Highness's Government would not feel justified in reducing the first issue of shares to less than 150,000 £, and that amount was accordingly entered in the agreement. Thus the fixing of the fully paid shares at 850,000 £ was the result of the reduction of the subscribed capital of 150,000 £, and the committee of legal experts consulted by the Directors have, I believe, advised that the Company is competent, under the terms of the agreement and the provisions of the Companies Acts, to give the concessionnaires, and the latter to accept the fully paid-up shares referred to. It is hardly necessary that I should point out that the profit derived by the concessionnaires is proportioned to the entire share capital, *i.e.*, it would always be the difference between the entire capital and the subscribed capital.

This large grant to the concessionnaires is a significant fact, forming as it does an index to the enormous value of property relinquished, a value which has only now become apparent, as the mineral resources of His Highness's dominions have been lying latent for centuries, and were completely valueless to His Highness's Government.

It will further be seen from para. 2 of the Government Resolution, referred to above, that of the subscribed capital of 15,000 shares, representing at 10 £ each 150,000 £, one-half, or 5 £ per share, had been paid up, that is, the original syndicate have paid 75,000 £, and are liable to pay 75,000 £ more on calls. Thus the capital actually raised and available for mining operations, instead of being 500,000 £, is only 150,000 £, which distributed

distributed among 100,000 shares (in 15,000 subscribed shares, 85,000 fully paid shares) brings down the average price per share to 1 £ 10 s.

Having thus stated full particulars enacted with the Mining Company, I would beg to remark that the Government, being holders of the shares to the extent of 500,000 £ in the railway company, has a large voice in the affairs of that company, and is able to lay claim to a certain amount of control over its operations. These shares are now standing at 10 £ premium. The importance of possessing this power cannot be over estimated, and it is a matter of serious consideration whether it would not be advisable for Government to secure similar rights in the Mining Company. At present the Government interest in the concern is limited to the ownership of the land on which the Company is carrying on its operations, and the income derived from prospecting fees and royalties. I need hardly dwell on the importance of acquiring shares in the Company, but would just refer to the action of Lord Beaconsfield in buying up the shares of the Suez Canal Company for Her Majesty's Government when they were of comparatively little value. These shares are now a most valuable investment, while the power which England has secured by becoming so large a shareholder is felt throughout the world.

Owing to the redemption of a large number of shares in the Railway Company by the grant of Railway Debentures in exchange, a sum of 85,867 £ now in the special account of the National Provincial Bank of England has been set free.

80,867
17,839
98,706
12,000
21,294 rupees.

There is also in the general account with the National Provincial Bank a sum of 17,839 £. I had intended suggesting that these sums should be invested in Government Promissory notes so as to increase the reserve fund which had been reduced by the giving up of the Government Debentures for the old railway shares, but it has struck me that it would perhaps be advisable to invest in shares of the Hyderabad (Deccan) Company, and I now venture to submit the matter for the consideration of His Highness.

At the time this Company was floated, and the public issue of shares made, the mineral wealth of His Highness's dominions was not (and is not even now) fully known: prospecting operations had not been commenced, the prospects of the Company could not be accurately gauged, nor had the Company itself acquired much publicity; but from the financial columns of the English papers it appears that in the early part of December, or four months after the Company had been floated, the shares which had been issued at par (10 £ each) were quoted at 11 £ 5 s. each, almost immediately they rose to 11 £ 5 s., and in a week they had risen to 13 £ 10 s. each, the market being firm at that price; and the City editor of "Vanity Fair" considered that, in the event of diamonds being found, the shares would certainly go up to 30 £. They are at present quoted at 11 £ 10 s., the slight fall being due to no diamonds having yet been found.

The investment certainly has in it the element of speculation, there is a chance of the possibility but not the probability of neither diamonds or gold being forthcoming, in which case the Company will have to rely entirely on its operations in the coal-fields, and notwithstanding that the existence of coal in abundance and of good quality has been fully established, it is questionable whether this will in itself prove sufficiently remunerative to pay a fair dividend on a capital of one million sterling. Such a contingency will probably have the effect of depressing the market value of the shares to par, or much lower, as the development of a coal-field is a matter of time, and the capital is so heavily encumbered with fully paid shares that *no decent dividend may be declared for some time to come*; this is a possibility for which the Government must be prepared. But I would ask leave to turn for a moment to a more favourable aspect of the case. It is true that the researches of Mr. Lowinski, the diamond expert, have hitherto not been attended with any result, but there can be little doubt as to the ultimate success in this direction, for history proves the diamond workings at Portugal to have been the richest in the world, and it is inconceivable that these mines could have been exhausted with the crude means of olden times. Mr. Hughes, an officer high up in the geological department of the Government of India has been prospecting for gold in the Lusongar district, and has just reported the discovery of three bands of gold-bearing strata, 12, 8, and 4 miles in length respectively; the indications are, it is stated, precisely similar to those existing in the property of the Mysore Gold Mining Company, but this fact is at present kept secret owing to negotiations not having been quite completed.

The iron ore found Mr. Hughes states to be of a very superior quality, the tests applied having given some remarkable results.

It is well known that the shares of the Mysore Gold Mining Company stood for a long time at from 10 s. to 13 s. each, but the moment gold was discovered in sufficient quantities, the shares went to, I believe, from 10 £ to 13 £ per share. The working of only one of the bands of gold-bearing strata discovered in His Highness's territories would, I am given to understand, yield a large dividend; if three bands were worked the

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profits

profits would be simply incalculable. I believe that it is the intention of the Hyderabad (Deccan) Company to divide the gold-bearing strata into lots and dispose of them to subsidiary companies. The different seams of coal will be similarly dealt with, and the mineral resources will therefore be developed by the aid of capital raised for the subsidiary companies, the amounts received for them (for leases given) going towards the payment of dividends to the shareholders of the Hyderabad (Deccan) Company. When prospecting operations are completed, and the relative wealth of the different properties is ascertained, the market value of the several lots to be disposed of can readily be fixed.

Having stated all I know both for and against the proposition to invest in shares of the Hyderabad (Deccan) Company, I now beg respectfully to suggest that as it is proposed to invest railway money in these shares the Special Committee appointed to consider financial questions relatively to railway matters should be confidentially consulted in the matter.

The points for His Highness's decision are—

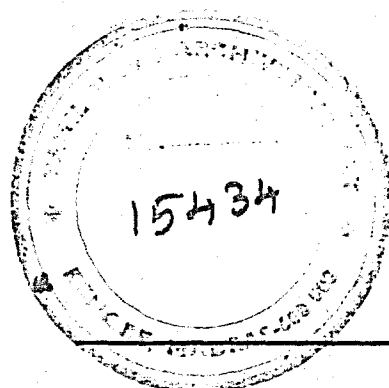
- (1.) Whether from a political and financial point of view it is advisable to secure an interest in the Hyderabad (Deccan) Company in the manner indicated.
- (2.) How many shares should be bought.
- (3.) From what source the funds for this purpose are to be obtained.

I would solicit very early orders on the subject, for if news of the discovery of gold gains currency (and it is impossible to keep such a matter long secret), or if it is known that the Government intend purchasing shares, the rate would certainly rise, and perhaps reach a prohibitive price.

I have only to state, in conclusion, that I have laid this statement before the Resident, who fully concurred in the advisability of making the investment, and considered that politically and financially it would be sound policy on the part of the Government to secure an interest in the undertaking.

I have begged him to telegraph to the Government of India in order that there might be no misapprehension hereafter. This he did, and thought the Government of India will have no objection to the investment being made.

(signed) *Sirdar Diler Jung.*



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