AN AUSTRALIAN MIRAGE

by
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This thesis is submitted in fulfilment of the requirements of the degree of Doctor of Philosophy.

Griffith University
Faculty of Arts
School of Arts, Media and Culture
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Statement of Authorship

This work has never been previously submitted for a degree or diploma in any university. To the best of my knowledge and belief, this dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.
Abstract

This thesis contains a detailed academic analysis of the complete rise and fall of Christopher Skase and his Qintex group mirage. It uses David Harvey’s ‘Condition of Postmodernity’ to locate the collapse within the Australian political economic context of the period (1974-1989). It does so in order to answer questions about why and how the mirage developed, why and how it failed, and why Skase became the scapegoat for the Australian corporate excesses of the 1980s. I take a multi-disciplinary approach and consider corporate collapse, corporate regulation and the role of accounting, and corporate deviance.
Acknowledgments

I am very grateful to my principal supervisor, Dr Anthony B. van Fossen, for his inspiration, advice, direction, guidance, and unfailing encouragement throughout the course of this study; and for suggesting Qintex as a case study.

I thank my second supervisors, Dr George Lafferty, and Dr Jacques Bierling, for their guidance and support during Dr van Fossen’s temporary absences.

I thank Mr. Jack Gleeson, former chairman of Television North Queensland.

I thank especially my friend Dr Sarah T. Rickson for her helpful advice and support.

I thank my friend Carole Carr for her assistance, and calming influence in the final collation of this thesis.

I thank my children, Geoffrey, Margot, Stephen, and Pamela for their support and forbearance.

I thank my late husband Duncan for his unstinting tolerance, support, and understanding in the early part of this work, despite a debilitating illness.
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### Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investment Commission.</td>
</tr>
<tr>
<td>AARF</td>
<td>Australian Accounting Research Foundation. The rule drafting body for the ICAA and the ASA.</td>
</tr>
<tr>
<td>ABT</td>
<td>Australian Broadcasting Tribunal.</td>
</tr>
<tr>
<td>Adorno*</td>
<td>Paul Adorno. Pixie Skase's Melbourne hairdresser who established a Gold Coast branch at Marina Mirage.</td>
</tr>
<tr>
<td>AEFC</td>
<td>Australian European Finance Corporation.</td>
</tr>
<tr>
<td>AFR</td>
<td>The Australian Financial Review</td>
</tr>
<tr>
<td>ANZ Trustees</td>
<td>ANZ Executors and Trustee Company Ltd.</td>
</tr>
<tr>
<td>Arbreau</td>
<td>Formerly Queensland Merchant Holdings.</td>
</tr>
<tr>
<td>ASA</td>
<td>Australian Society of Accountants.</td>
</tr>
<tr>
<td>ASC</td>
<td>Australian Securities Commission.</td>
</tr>
<tr>
<td>ASRB</td>
<td>Accounting Standards Review Board.</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Stock Exchange.</td>
</tr>
<tr>
<td>ATC</td>
<td>Australian Tourism Commission.</td>
</tr>
<tr>
<td>ATN</td>
<td>Australian Television Network (formerly the 7 Network).</td>
</tr>
<tr>
<td>Braham†</td>
<td>Dudley Braham, former deputy chairman Hardy Brothers. He remained on the Qintex board until 1989. In 1982 he resigned from the board and publicly attacked Skase over the attempted takeover of Nettlefolds, he rejoined the board a few months later, when Qintex dropped the attempted takeover.¹</td>
</tr>
<tr>
<td>Brooks, Desmond</td>
<td>Architect, who designed the two Mirage resorts. Joined Hawaiian-based Media Five Ltd as a director and partner. He was later part of a joint Australia venture Media Five, which terminated in 1985, with Brooks keeping the name until 1988. In January 1990 a Hawaiian court issued a judgement against Brooks continued use of the name.²</td>
</tr>
<tr>
<td>BRW</td>
<td>Business Review Weekly</td>
</tr>
<tr>
<td>Burden</td>
<td>Peter Burden, Melbourne Lawyer, The group's deputy chairman. Shareholder/Director of QGMS.</td>
</tr>
<tr>
<td>CALDB</td>
<td>Companies Auditors and Liquidators Disciplinary Board.</td>
</tr>
<tr>
<td>Campbell, Bob</td>
<td>Chief executive of QAL's media and entertainment arm. Shareholder in QGMS.</td>
</tr>
<tr>
<td>Capps</td>
<td>Richard Capps group treasurer.³</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer.</td>
</tr>
<tr>
<td>CM</td>
<td>Courier Mail</td>
</tr>
<tr>
<td>CRUST</td>
<td>Contingent Residuall Undated Sobordinated Tranches.</td>
</tr>
<tr>
<td>CSLRC</td>
<td>Companies and Securities Law Review Committee.</td>
</tr>
<tr>
<td>DACP</td>
<td>Discretionary Accounting Policy changes.</td>
</tr>
</tbody>
</table>

¹ *Sydney Morning Herald* 14 November 1987:81.
² *Courier Mail* 3 September 1991:24.
Davey  Fred Davey QC, Melbourne commercial barrister.  Joined Qintex board at Skase's request, and at the recommendation of a mutual friend in Stockbroking about 1977.4

Dawe  Nick Dawe finance and acquisitions specialist.

Dixon*  Keith Dixon, Pixie Skase's father.  He and his wife Nan moved to Queensland when the Skases did.  He secretly transferred funds for Skase after the group collapsed.

Ferrell†  Sir Ray Ferrell formerly chairman of Ludbrooks.  He remained on the Qintex board until his retirement in 1987.

FIRB  Foreign Investment Review Board.

GC Bulletin  The Gold Coast Bulletin

Harris, Pamela  Skase's private secretary.

Hartnell, Tony  A senior partner of the law firm Allen Allen Hemsley.  First chairman of the ASC.


Hili, Albert John  Accountant, financial controller at Lloyds Ships from November 1988.5

Hutchins  Peter Hutchins, Melbourne accountant and tax avoidance expert, the brother of Wilson Bishop partner Barry Hutchins.

ICAA  Institute of Chartered Accountants in Australia.

IPH  Industrial and Pastoral Holdings.

Klinger  Mr Tom Klinger Stockbroker, first with the firm Eric J. Morgan, later he moved to McIntosh Hamson Hoare Govett.

Kroger  Andrew Kroger, McIntosh director.  Brother of Michael Kroger (Vic Liberal party).

Lloyd's Ships  Lloyd's Ships Holdings Pty Ltd, a Brisbans boat-building company, controlled by Qintex and its directors.


McIntosh  Qintex’s Stockbrokers McIntosh Griffin Hamson and Co in 1981.  Later McIntosh Hamson Hoare Govett.6

Mitsui  Japanese trading house, bought into Mirage resorts

MRT  Mirage ResortsTrust.

NBC  National Broadcasting Company, a subsidiary of General Electric Company.

NCA  National Crimes Authority.

NCSC  National Companies and Securities Commission.

Newport, Adrian  Mr Adrian Lee Newport, a qualified accountant, General manager Lloyd's Ships Holdings Pty Ltd from sometime in 1988 until late 1989.  He attempted a management 'buy-out' of Lloyd's, which collapsed in June 1989.

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<table>
<thead>
<tr>
<th>NYSE</th>
<th>New York Stock Exchange.</th>
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<tbody>
<tr>
<td>O'Neill*</td>
<td>Kevin O'Neill Pixie's florist. He and his partner John Graham</td>
</tr>
<tr>
<td></td>
<td>of Toorak Rd South Yarra, opened a florist shop at Marina</td>
</tr>
<tr>
<td></td>
<td>Mirage. They provided flowers for every Skase function. The</td>
</tr>
<tr>
<td></td>
<td>Skases sent a large bouquet of red roses to his funeral after</td>
</tr>
<tr>
<td></td>
<td>his death from cancer at the beginning of 1997.</td>
</tr>
<tr>
<td>Peters*</td>
<td>Barry Peters. Interior designer worked for the Skases from the</td>
</tr>
<tr>
<td></td>
<td>1970s. His designs were an integral feature of their houses,</td>
</tr>
<tr>
<td></td>
<td>boats and resorts. He followed the Skases to Brisbane and was</td>
</tr>
<tr>
<td></td>
<td>reported to have been resident in Mallorca in June 1991. The</td>
</tr>
<tr>
<td></td>
<td>press mentioned an 'abusive' minder called Barry.</td>
</tr>
<tr>
<td>Pratt, Craig</td>
<td>Employed in the Qintex treasury division, a contact with</td>
</tr>
<tr>
<td></td>
<td>Lloyd's Ships Holdings</td>
</tr>
<tr>
<td>Putland</td>
<td>Geoffrey William Putland, Chartered accountant. Qintex</td>
</tr>
<tr>
<td></td>
<td>company secretary and group accounting manager, QGMS</td>
</tr>
<tr>
<td></td>
<td>director and Kodogo company secretary.</td>
</tr>
<tr>
<td>QAL</td>
<td>Qintex Australia Limited.</td>
</tr>
<tr>
<td>QCAC</td>
<td>Queensland Corporate Affairs Commission.</td>
</tr>
<tr>
<td>QEI</td>
<td>Qintex Entertainment Inc.</td>
</tr>
<tr>
<td>Qintex America Inc</td>
<td>Projected US listed company to be formed by joining Qintex</td>
</tr>
<tr>
<td></td>
<td>Entertainment Inc with MGM/UA after the ill-fated projected</td>
</tr>
<tr>
<td></td>
<td>MGM/UA purchase. Not to be confused with Qintex America Ltd.</td>
</tr>
<tr>
<td>Qintex America Ltd</td>
<td>Australian listed company, formerly Hardy Brother (Group)</td>
</tr>
<tr>
<td>QMH</td>
<td>Queensland Merchant Holdings, later Arbreau Ltd.</td>
</tr>
<tr>
<td>QTTC</td>
<td>Queensland Tourist and Travel Corporation.</td>
</tr>
<tr>
<td>Rags Henderson†</td>
<td>Of Channel 7</td>
</tr>
<tr>
<td>RPT</td>
<td>Related Party Transactions</td>
</tr>
<tr>
<td>Sawyer*</td>
<td>Peter Sawyer corporate communications and advertising. His</td>
</tr>
<tr>
<td></td>
<td>wife, Gail, was reported to be Pixie's bst friend. He</td>
</tr>
<tr>
<td></td>
<td>established an advertising firm in Brisbane when Skase moved</td>
</tr>
<tr>
<td></td>
<td>to Queensland.</td>
</tr>
<tr>
<td>SFIT</td>
<td>Suparannuation Fund Investment Trust</td>
</tr>
<tr>
<td>Shears</td>
<td>Donald S. Shears, Melbourne cereals magnate, founding member</td>
</tr>
<tr>
<td></td>
<td>of Team Securities provided entrepreneurial flair.</td>
</tr>
<tr>
<td>Shergold</td>
<td>John P. Shergold, a Melbourne accountant and company director,</td>
</tr>
<tr>
<td></td>
<td>former partner of accountants Wilson Bishop Bowes, founding</td>
</tr>
<tr>
<td></td>
<td>member of Team Securities, provided listed company backing</td>
</tr>
<tr>
<td></td>
<td>and connections.</td>
</tr>
<tr>
<td>Skase</td>
<td>Christopher S. Skase</td>
</tr>
<tr>
<td>SMH</td>
<td>The Sydney Morning Herald</td>
</tr>
<tr>
<td>Tabart</td>
<td>John Tabart, Civil engineer. Mirage Resorts Trust. Shareholder/director of QGMS.</td>
</tr>
<tr>
<td>THL</td>
<td>Television Holdings Limited.</td>
</tr>
<tr>
<td>Tribunal</td>
<td>Australian Broadcasting Tribunal.</td>
</tr>
<tr>
<td>Trueblood†</td>
<td>Harry Trueblood, who sold his Princeville resort holding to</td>
</tr>
<tr>
<td></td>
<td>Qintex, but he remained on the board.</td>
</tr>
<tr>
<td>UTQ</td>
<td>Universal Telecasters Queensland Ltd.</td>
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<td></td>
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<td>-----</td>
<td>-----------------------------------------------------------------</td>
</tr>
<tr>
<td>VBN</td>
<td>Victorian Broascasting Network, later Southern Cross Television</td>
</tr>
<tr>
<td>VCAC</td>
<td>Victorian Corporate Affairs Commission</td>
</tr>
<tr>
<td>White, Christopher D.</td>
<td>Chartered accountant, a member of the firm Pannell Kerr Forster. Auditor for Lloyd’s Ships Holdings Pty Ltd from 1986 to 1989.</td>
</tr>
</tbody>
</table>

* Indicate people who definitely followed the Skases to Queensland.
† People whose businesses Skase took over
Introduction

Skase’s dream began 20 years ago when struck by the beauty of the tiny far north Queensland beach town of Port Douglas he sketched a plan of the resort he wanted to build there in the sand.¹

Christopher Skase's dream was a like a castle on the sand. The tide came in and washed his sketch away, and the ripples were felt across the nation.

This thesis is the first detailed academic analysis of the complete rise and fall of Skase and his Qintex group mirage,² which it places within the Australian political economic context of the period. It illustrates how a micro-level case study can be analysed within the context of a macro-level theory. It does so in order to answer questions about why and how the mirage developed, why and how it failed, and why Skase, as is argued in this thesis, became the scapegoat for the Australian corporate excesses of the 1980s. At the same time it demonstrates that it is possible to link to levels of analysis so that a macro-analytical theory can be used to help to explain a micro-analytical case study.

The major theoretical approach of this thesis is within the broad macro-theoretical concept of postmodern political economy and postmodern flexible accumulation outlined by David Harvey.³ I demonstrate that this theory provides the context of the rise and fall of a corporate conglomerate. This thesis oscillates between

² Appendix 1 contains a history of the group from its beginnings with Skase’s acquisition of the Tasmanian company Ludbrooks Ltd until its collapse in 1989. Appendix 2 lists the capital growth of each company in the group up to the last Annual Report issued by each company.
facets of Harvey’s broad theory and the individual concerns of the case study, and argues that this ‘oscillation’ is the most appropriate and effective strategy to be used.\(^4\)

I take this approach because the rise and fall of the Qintex group was not unique. It is representative of related corporate collapses and near collapses in the early post-modern period. But it is also situated within the wider parameters of the corporate sector, which is itself situated within the national political economy. This approach therefore contextualises and enriches our understanding of corporate collapse.

The Qintex group is significant as a case study because it was one of several major Australian corporate groups, which rose to prominence in the 1980s and then collapsed. These collapses had enormous repercussions through the Australian financial sector. They damaged Australia’s international corporate and financial reputation. Although the Qintex collapse was not as extensive as other corporate collapses such as Bond Corporation or Adsteam, Skase was made ‘the personification of the evil 1980s entrepreneur … Even the bankruptcy laws (were) changed to quite specifically target him’; for many ‘he is remembered as a scoundrel, a thief, a liar and a coward’.\(^5\) This continues to divert attention from the structural failings of established socio-economic conditions, such as the continued lack of satisfactory corporate regulation and the state’s\(^6\) inability, or reluctance, to regulate the corporate sector comprehensively.

The development of Qintex group began with Skase’s acquisition of Ludbrooks Ltd in 1975. This coincided with the end of the transition from the relatively stable Fordist modernist historical socioeconomic stage of capitalism to the

\(^4\) I do not compare models because this is beyond the scope of my thesis. A comparison of the type that would be necessary would in fact constitute the material for another thesis in its own right.

\(^5\) CM 7/8/01: 5; 21/4/93:36.

\(^6\) In this dissertation I make frequent use of the words State and state. In doing so I have adopted a spelling convention which uses an upper case ‘S’ when referring to individual Australian States, and a lower case ‘s’ in the broader general sense of the government or body politic.
more flexible postmodern stage, which dates from the oil crisis in 1973. Postmodern flexibility, with its ‘economic restructuring and social and political readjustment’, encouraged Skase to create the postmodern mirage that was his empire. Particularly important were the changes in the finance industry within the continuing evolution of a system of global capitalism.

Skase himself was ambitious for wealth and its trappings. He had a ‘grand vision of building’ an Australian-based international media and tourism empire. Qintex Australia receiver John Allpass said an overview of the group showed Skase's ‘singular motivation’ as he ‘he went from one deal to another’, always aiming towards his mirage of an empire.

Skase based his dream empire on that initial sketch in the sand. By January 1989 he had created his $A2.4b mirage of an ‘entertainment and leisure empire spanning two continents’. He was at the top of a pyramid, which controlled all the Qintex assets. These included five star resorts at Port Douglas and on the Gold Coast in Queensland, and at Princeville on the Hawaiian Island of Kauai; the largest holding in the Queensland theme park, Sea World; Channel 7, Australia’s most extensive television network; and a large holding in Hal Roach Studios/Robert Halmai, a US film and television conglomerate. Skase planned further expansion of the company in the USA, including further resorts and the acquisition of MGM/United Artists. These plans finally led to the group’s collapse.

This study is designed to address a multilevel phenomenon and capitalises on a number of sources to establish evidentiary claims. This strategy allows oscillation

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8 Harvey:145.
9 CM 16/10/92:25.
between theoretical levels. The wide variety of factors involved in the case study indicates the need for a multi-disciplinary approach. For this thesis that approach includes political economy, the sociology of law and the sociology of accounting, and the sociology of deviance from various theoretical perspectives. I have used appropriate literature from these disciplines, and from scholarship in the areas of tourism and the media, to establish particular aspects of the political economic context. This literature is distributed strategically through the thesis where appropriate instead of being summarised in a separate discrete literature review.

I have utilised documents in the public domain where available, including court records and Australian Broadcasting Tribunal hearings, using both transcripts of hearings and published judgements. I was given access to innumerable, and frequently, unnumbered documents relating to Qintex’s attempt to gain control of Television North Queensland. The companies analysed no longer exist in any form, and public documentation is scarce. Although some copies of old company reports were available, the Australian Stock Exchange (ASX) Company Review Service constantly updates its reports and discards old reports. Many ASX records do not extend back before 1985. I undertook a detailed search of newspaper reports using the Australian Business Index and Reuters electronic database. I have made extensive use of financial and other media reports due to the importance of image to the case study. I argue that a positive media image contributed first to the creation of the Qintex mirage. Share prices were a central feature of the group’s growth and depended primarily on public conceptions of a company’s soundness and future prospects. Public image was also very important for the companies in the Qintex

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11 The Queensland State Library and the Melbourne State Library had some hard copies of old company reports on their shelves. Other copies were provided from the archives of a Brisbane stockbroking firm, which had not thrown them out. Copies were obtained of most of the relevant Annual Reports of each company in the group. A number of other documents were obtained from the former chairman of another company, which had dealings with the Qintex group and subsequently monitored its progress.
group, which borrowed money, secured against their holdings in other group companies. Later media images contributed to the demonisation of Skase. It is for these reasons I have treated media reports as a primary rather than as a secondary source.

In order to document the process through which evidence was built, this thesis is organised in the following manner. The first three chapters provide a conceptual and theoretical framework for the analysis of the case study, which will be done in subsequent chapters.

Chapter 1 analyses Harvey’s theory of the ‘condition of postmodernity’, to establish the framework for the analysis of the case study, and its application to Australian political economy in the 1980s. This includes the emerging ‘new right’ political economic climate and the deregulation of the Australian banking system, and will demonstrate the currency of this analysis.

The second chapter (2) continues the postmodern theme as it is represented in corporate collapse in 1980s Australia. It analyses corporate collapse as it relates specifically to the Qintex collapse. It provides an overview of Australian corporate regulation in the period and the contribution of accounting which was so important in the development of the group; it then demonstrates how they reiterate post modern themes.

The following chapter (3) is concerned with deviant features of postmodern corporate Australia. It demonstrates how the literature on deviance reflects these postmodern themes as it builds on earlier Fordist concepts of deviance. I use a very broad definition of deviance and analyse corporate deviance from a critical perspective. I argue that this extension adds to the heuristic value of the framework vis a vis the case study.
The next five chapters comprise a detailed analysis of the case study, as it reflects and links back to postmodern themes and builds on the established theoretical base. An analysis the first ten years of the group’s development from Skase’s ‘sketch in the sand’ to his establishment of a foothold in his chosen industries is completed in Chapter 4. To develop a clearer image of the mirage he constructed the next two chapters depart from a direct chronology to consider the group’s development on an industry basis. Chapter 5 analyses the mirage’s growth in the tourist industry, and the contribution of the Queensland State government to that expansion. It also considers the group’s initial expansion into the United States tourism industry. Chapter 6 analyses the mirage’s growth in the media and entertainment industries which paralleled its expansion in the tourism industry, and which was facilitated by initiatives of the Federal government. It also considers the group’s first media acquisitions in the United States.

The thesis returns to a chronological format in Chapter 7, which analyses the mirage’s last year as a public company and its collapse, its attempt to takeover MGM/United Artist, and the eventual bankruptcy of Qintex Australia and 27 of its private subsidiaries which followed the collapse of that takeover attempt. Chapter 8 analyses the aftermath of the group’s collapse, Skase’s vilification, which made him the corporate scapegoat for the 1980s, and the search for his possible hidden assets.

A short conclusion follows. This reiterates the hypothesis of this thesis. It summarises the main points in the argument, and the deductions which are made from the analysis.

The appendices are as follows

1. Table outlining the expansion and collapse of the Qintex group (1974-1989).
2. Tables of the capital growth of each of the Qintex group companies.
3. Qintex group debt facilities and creditors.
5. Supplementary Powditch Report.
6. QGMS items sold at public auction 5 December 1990.
Chapter One

Context

The rise and fall of the Qintex corporate mirage under Skase’s ‘rule’ as an entrepreneur from 1975 to 1989 is typical of Australian postmodern political economy and flexible accumulation, and is best analysed in those terms. Postmodern flexibility, with its ‘economic restructuring and social and political readjustment’, allowed Skase to create his mirage. ‘(F)iction, fantasy, the immaterial … fictitious capital, images, ephemerality, chance and flexibility in … consumption niches’ dominate the mirage of postmodern flexibility. Skase capitalised on the ways in which capitalism is now ‘more tightly organised through dispersal … and flexible responses’.¹ Finance capitalism became a dominant force. This chapter outlines the Australian context in terms of ‘the condition of postmodernity’. It highlights the structural features of contemporary neo-liberal capitalism, including financial innovation and the deregulation of the banking system, which this research argues contributed to the entrepreneurial excesses of the 1980s, and in particular to the Qintex mirage. This also takes account of the importance of image to the mirage.

The oil crisis of 1973 completed the transition from the relatively stable Fordist modernist socioeconomic phase to the more flexible postmodern phase which had started in the late 1960s. An analysis of postmodernism in relation to modernism reveals a continual oscillation between capitalism’s fundamental contradictions and oppositions:²

- centralisation/decentralisation: modernist ‘establishment’ companies had their head offices in the central financial markets of Sydney and Melbourne; Skase moved his head office to less central Brisbane;

² Harvey, D. (1990): 286, 296, 327-328, 339-343. This included the decline of US hegemony, the collapse of the Bretton Woods agreement in 1971 and the breakdown of the gold standard and ‘the introduction of a (volatile) global system of floating exchange rates’.
• *authority/deconstruction*: especially important in this context is the deregulation of the Australian banking system discussed below (pp9-11);

• *hierarchy/anarchy*: the ‘bidding war’ which erupted between the Australian commercial television proprietors in the late 1980s surpassed the sort of commercial commonsense characteristic of Fordism;

• *permanence/flexibility*: the more capricious, fragmented nature of postmodern society compared to Fordist society impedes long term planning, so that corporate strategies increasingly depend on short-term planning and short-term gains, emphasising quick capital turnover to maintain a fast cash flow.

The last point highlights a contradiction in Skase's situation. He had a personal overview of the group’s general direction. ‘Everything he did had a meaning and purpose. Nothing was ever accidental. It was always planned.'  

He was also very much a ‘child of his time’ as he tried to do everything at once. He was never secure enough financially to make long term plans. He worked on the brink of collapse and continually had to exploit unstable circumstances.

Modernist long established ‘blue chip’ companies with assured finances, such as BHP Ltd and in the early 1980s Amalgamated Wireless Australia Ltd (AWA), had stable management. Postmodern flexibility is frequently associated with rapid management turnover but Qintex, which had a stable senior executive, was an exception. Another entrepreneurial company, for example, Ariadne Australia Ltd, had frequent board changes in its much shorter life (1982-1987) and its executives rebelled against their executive chairman entrepreneur Bruce Judge for his mishandling of the company’s affairs.

Postmodern culture has an ephemeral quality which encourages images of a mirage. At the same time it demonstrates a frenetic ‘Red Queen’ element, one must ‘do all the running (one) can do’ to stay in one place, and one must ‘run twice as fast

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3 *AFR* 29/6/90:1,18.
as that’ to get somewhere else. The ‘Red Queen’ element is apparent in Skase's attempts to remain ‘one step ahead of his bankers’. He entered into a kind of chain reaction, using bigger and better deals to patch up any emerging problems within the swelling media and resorts conglomerate before the problems became too big.

To achieve his dream of a leisure and media empire Skase cynically manipulated the Public Listed Company form, with complete disregard for the rights of small shareholders. He established a distinct pattern in the way in which he used takeovers to expand the company in line with his overall plan. His takeover targets were all small- or medium-sized, listed companies with cash reserves and undervalued, saleable, tangible assets, which did not attract a lot of attention in the market. The company’s listed status, which saved him from issuing financially revealing prospectuses, was as important as its assets in Skase’s plans to expand within the parameters of a design which concentrated on the luxury leisure and entertainment market. He frequently paid more than the target company’s market value to gain undisputed control. Following a successful takeover offer Qintex retained just over 50% of the company keeping undisputed control and allowing consolidation of the accounts. Skase remodelled the company, changed its image to fit his overall design, and sold its most valuable assets. Pre-existing Qintex group assets were transferred to the newly acquired company, and cash reserves became available within the group.

The oil crisis marks the beginning of an economic ‘bust’ which had resounding effects on corporate Australia during the Qintex era (the mid 1970s and

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1980s). This followed the peak which capitalism’s boom/bust cycle reached during the transition period (late 1960s, early 1970s). Brenner argues that this period was unstable and characterised by an overall international decline in profitability, and diminishing profit rates for capital. Table 1.1 shows the decline in its historical context and some aspects of the downturn on the Australian economy in the 1980s. This was important in relation to flexible accumulation.

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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>5.0</td>
<td>5.4</td>
<td>2.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Real GDP per capita</td>
<td>3.0</td>
<td>3.5</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Real GDP per person employed</td>
<td>2.7</td>
<td>2.2</td>
<td>1.7</td>
<td>..</td>
</tr>
</tbody>
</table>

Slow growth in real production encouraged the creation and search for profits from new sources; money itself became a commodity with a mirage of paper profits created from fictitious capital. This relates directly to the individual mirages created by entrepreneurs such as Skase.

Another contextual dimension is the resurgence of ‘new right’ *laissez-faire* ideology and an international ‘economic rationalisation’, which accompanied the downslide. It has had broad cultural and social consequences. The central tenets of this ideology stress the ‘free market’ in a minimalist state populated by rational individuals capable of a degree of self-government. Participation of ‘fragmented

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6 *CM* 16/10/92:25.
individuals’ and ‘collectivities’ in the free market is supposed to stimulate economic growth and prosperity.9

‘[N]ew right political ideology’ has increasingly dominated the Australian federal bureaucracy since the Fraser governments (1975-1983), and continued after 1983 under the Hawke Labor governments. This was strongly influenced by the ‘restrictive, technically oriented, neoclassical economics curriculum … (which dominated) the economics departments of Australian universities from about 1947 onwards.’10 Hawke contended markets which were ‘working efficiently ... should be left to do their own job’.11 After his election senior executive personnel who supported a ‘neo-liberal, new right monetarist, economic rationalist small government position’, controlled the three major federal departments (Prime Minister and Cabinet, Treasury, and Finance). Pusey argues that although the Hawke governments exerted ‘very strong political control’ these people contributed to policy formulation as well as in its promulgation.12 In 1990 all seven13 ALP governments exhibited ‘strongly econometric’ ideological attitudes combined with a pro-business orientation.14

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13 The ALP controlled the federal government plus those in 6 out of 8 States and Territories.
The postmodern financial sector and its institutions have created a financial hegemony as they exercised their power. The basis of ideological and political hegemony and the preservation of political power are directly related to control over money, time and space within this context. Power has focussed increasingly within the financial sector, increasing its ‘autonomy … relative to corporate, state and personal financing’. Control of money facilitates control of time and space, and vice versa.\(^\text{15}\)

The finance industry exploited intensified competition and innovation. Particular strategies of capital accumulation developed within the parameters (if any) of flexible accumulation and financial innovation, as spaces were transformed, the ‘pace of life’ accelerated and speculation flourished. Capital circulated at an unprecedented rate. Deregulation and financial innovation extended the size and range of financial services and activities creating ‘[n]ew products, new technologies, new spaces and locations, new labour processes’ etc.\(^\text{16}\)

The industry rapidly introduced commercial, technological, and organizational innovations, created new markets, and expanded its credit system. Profits were increasingly derived from a range of techniques that include

- creative accounting, which Qintex employed so well,
- monitoring of international money markets to obtain profit from relative shifts in currency values or interest rates,
- and corporate raiding and asset stripping at which Qintex excelled.

Increasingly the legal and financial spheres of the corporate sector commanded the highest paid, most attractive jobs.\(^\text{17}\)

\(^{15}\) Harvey: 163, 226-227.  
\(^{16}\) Harvey:161, 343.  
\(^{17}\) Harvey:147, 162-171.
In Australia much of the frantic surge of financial activity was centred around a group of ‘new’ corporate entrepreneurs, and their ‘new’ bankers. Australian entrepreneurs in the 1980s were ‘deal-driven’. Consistent with the ‘Red Queen’ element each new deal had to be bigger and better than the one before so that they could keep up: ‘[t]he game meant you just had to keep growing so the debt could never catch up’. 18

Christopher Skase was one of the more flamboyant of these entrepreneurs. QAL’s receivers claimed that he ‘lived and died financially by the deal’; tangled within a ‘web of company shareholdings and debt charges’ was a range of deals designed to boost his assets. 19 He

was a genius at extracting money out of people (he) would understand the psychology of people – bankers, brokers, analysts – and give them exactly what the wanted to hear. He was like a snake charmer … after he’d extracted what he wanted … he wouldn’t even recognise the person in the street. 20

Solvency was a real problem for Qintex which never had a steady dependable cash flow and constantly had to juggle its assets to meet its financial obligations. As part of his perpetual pursuit of cash Skase exploited the way flexible accumulation favours ‘smart and innovative entrepreneurialism … (with) swift, decisive, and well-informed decision-making’. 21 He discovered the flexible benefits of preference shares. Qintex issued fixed term redeemable preference shares as an alternative to debt. These were often issued by 100% owned Proprietary Limited subsidiaries which had more covert reporting requirements than public companies. 22 Skase said:

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18 *AFR* 29/6/90: 1,18.
19 *CM* 16/10/92:1.
20 *AFR* 29/6/90:1,18.
21 Harvey:157.
22 In 1983 the Qintex group included 24 100% owned proprietary companies (Qintex Ltd 5, IPH 12, and Hardy Brothers (group) Ltd 7).
Money borrowed from an institution carries the potential risk of bankruptcy to the borrower, but preference shareholders cannot sue in the courts for return of their money. Also a company can refuse to pay preference dividends; failure to meet interest payments on debts incurs a penalty.

At this point it is pertinent to consider the changes which Harvey identifies in the continuing evolution of a system of global capitalism. The development of a global system of cultural production and marketing is central to the time-space compression discussed below. These changes generated the financial conditions exploited by Skase and other entrepreneurs.

Skase attempted to join that global system and attempted to establish a transnational company centred in Australia when he expanded Qintex’s tourism and media operations into the US. Discussion of globalisation debates is beyond the scope of this thesis, but I adopt Harvey’s position with respect to a global political economy which encompasses a well coordinated globalised financial system with ‘a single world market for money and credit supply’ which includes a range of global markets and ‘accelerated geographical mobility of funds’. The ‘global urban system’ has a clearly defined hierarchy of ‘world cities’, which have ‘teleports, airports, fixed

\[23\] Skase in evidence Australian Broadcasting Tribunal (1985a) Inquiry into the Acquisition by Wilkinsons Television Pty Ltd of all of the issued Capital of Universal Telecasters Qld Ltd:452.

\[24\] Harvey:347,348.
communication links, as well as a wide array of financial, legal, business, and infrastructural services'.

I argue that, despite its ‘developed nation’ status, Australia occupies a semi-core position in the world system. While it is arguably incorrect to place Australia in the semi-periphery, it is not a fully-fledged core country. Australia’s export economy depends on resources and primary production, and such new industries as international tourism, which are increasingly dominated by foreign capital. Australia’s subjection to the vagaries of new international forms of accumulation increased as the internationalisation of capital intensified in the 1980s. This was allied to increasing polarisation between the rich, who provided Qintex’s target market, and the poor, which was exacerbated by declining welfare provisions.

The rapid tempo and extent of the Qintex mirage’s expansion is indicative of the way in which flexible accumulation exploits geographical circumstances of the dwindling spatial barriers and higher geographical mobility which benefit capital. People and powers, which control spaces, can alter them to attract mobile capital. In five years (1982-1987) the group expanded from a company with retail interests centred in the South East of Australia to one which spanned two continents. The initial expansion into Queensland with media and resorts was followed by the acquisition of national media interests and by expansion into the US with resorts and media.

27 Harvey:295.
Financial hegemony has global dimensions. From the early 1970s nation states became more susceptible to external fiscal intervention and ‘financial disciplining’.\(^{28}\) Their power to control capital flow and internal fiscal and monetary policy diminished after the disintegration of the Bretton Woods system (1971) with the collapse of the gold standard, and the introduction of a flexible exchange rate (1973). Harvey argues that power shifts under ‘global capitalism’ give ‘more autonomy to the banking and financial system relative to corporate, state and personal financing’\(^{29}\)

Some major fiscal changes occurred in Australia during the Qintex period (1975-1989), consistent with economic rationalisation and subordination of social goals. Many of these changes centred around the banking system. In the 1970s Australia controlled monetary policy and liquidity through its regulated banking system, then arguably one of the most intensely regulated among core/semi-core states. Regulations controlled the banks’ ability to lend money and imposed interest rate ceilings. Other regulations restricted the entry of new banks into Australia.

Innovations in the finance industry, which included new financial instruments and services, attempted to reduce costs incurred by financial regulation, to minimise transaction costs, and to change risk allocation. A major factor in the 1970s Australian financial system was a proliferation of, and increased business for, the relatively unregulated and innovative non-bank financial institutions such as building societies, finance companies and credit unions, and merchant banks, at the expense of the highly regulated formal banking institutions, whose assets fell to less than 40% of

\(^{28}\) ‘Either through the effects of capital flow … or by direct institutional disciplining’. Harvey:164.
\(^{29}\) Harvey: 163.
the total for financial institutions.\textsuperscript{30} These institutions curtailed the state’s ability to control monetary policy. The banking sector pressured the Australian Government to set up a Committee of inquiry into the Australian financial system chaired by Mr Keith Campbell\textsuperscript{31} in 1978. Its report was tabled in Federal Parliament in November 1981. The committee, which had a clearly defined new right monetarist perspective, argued

… that the most efficient way to organise economic activity is through a competitive market system which is subject to a minimum of regulation and government intervention.\textsuperscript{32}

It recommended the abolition of government control over interest rates and lifting of restrictions on the type of lending then available to banks. It also advocated the entry, with unrestricted licences, of a defined number of selected foreign banks to Australia’s financial system, ‘with the same privileges and responsibilities as resident banks’.\textsuperscript{33} Banking industry pressures initiated some deregulation before the Campbell report was presented and, the ceiling on the interest rate on bank deposits was lifted in December 1980. The major financial deregulation, however, occurred under the Hawke Labor Government.\textsuperscript{34}

In December 1983 the Hawke government floated the Australian dollar and began deregulating the Australian financial system. Over the next four years it gave banks more freedom ‘to operate in the very short term money market’, it eased foreign exchange controls and facilitated foreign exchange trading, loosened lending and interest rate ceilings, and allowed the entry, in 1985, of sixteen foreign banks with full

\begin{thebibliography}{9}
\bibitem{31} He was ‘chairman and chief general manager of the property developer Hooker Corporation, and deputy chairman of its associated finance company Network Finance’. \textit{Age} 18/11/81: 23.
\bibitem{33} Unlike other countries such as Canada. \textit{Age} 18/11/81: 25.
\end{thebibliography}
banking authority. The government also investigated the possibility of establishing off shore (tax haven) banking in Australia.\textsuperscript{35} In a global system of deregulation Australia, which previously had one of the most controlled banking systems in the world, outstripped everyone else to become one of the least controlled. Within a decade Australia’s monetary policy changed from one determined by bank liquidity to one determined through modifications of exchange rates and interest rates.\textsuperscript{36} ‘Traditional demarcation lines’ between different financial sectors disintegrated.\textsuperscript{37} These changes were consistent with international new right economic rationalism.

Although major financial services were mostly concentrated among fewer, bigger corporations, there were also a number of smaller institutions.\textsuperscript{38} In Australia in the 1980s deregulation accelerated the concentration of larger financial institutions. Simultaneously the range of new smaller institutions increased including new finance companies and building societies, and there was an influx of overseas financial institutions. All large Australian institutions developed their own finance house or houses, separate from their major banking facilities. One of these was Westpac’s Partnership Pacific, which lent money to Qintex subsidiary group Lloyd’s Ships in 1988. One Qintex creditor, a Brisbane city newsagent owed $172, said

\[\text{[t]he banks who lent him money must be accountable. They had the books and the figures right in front of them and they still gave him money. I mean they half created the situation.}\] \textsuperscript{39}

\textsuperscript{34} In 1983 the newly elected Hawke government commissioned the Martin Committee to review the Campbell Committee’s report. This second report concurred with the previous report.
\textsuperscript{38} Harvey:158.
\textsuperscript{39} Sunday Age 25/12/94:11.
Credit was suddenly available at an unprecedented rate. The new foreign banks provided Skase and other entrepreneurs with a ready source of finance. The domestic banks controlled the local retail market and foreign banks had to adopt lower credit standards and target ‘higher yielding but higher risk corporate lending areas’. Following this policy many foreign banks suffered large losses. Foreign banks (marked with * in table 1.2) had the major exposure to QAL at the time of its bankruptcy. (Appendix 3 lists more complete details of the Qintex group’s debt)

Table 1.2 Major Bank Exposure to Qintex Australia

<table>
<thead>
<tr>
<th>Senior lenders</th>
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<tbody>
<tr>
<td>*Hong Kong Bank</td>
<td>115</td>
</tr>
<tr>
<td>*Barclays</td>
<td>115</td>
</tr>
<tr>
<td>State Bank of NSW</td>
<td>75</td>
</tr>
<tr>
<td>Commonwealth Bank</td>
<td>50</td>
</tr>
<tr>
<td>ANZ Bank</td>
<td>50</td>
</tr>
<tr>
<td>*LT Credit Bank</td>
<td>50</td>
</tr>
<tr>
<td>*BA Australia</td>
<td>50</td>
</tr>
<tr>
<td>*Société Générale</td>
<td>30</td>
</tr>
<tr>
<td>*Sumitomo</td>
<td>25</td>
</tr>
<tr>
<td>(Some banks subsequently sold down part of their exposure)</td>
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</table>

<table>
<thead>
<tr>
<th>Second tier lenders</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>*Chase AMP</td>
<td>100</td>
</tr>
<tr>
<td>*DFC</td>
<td>100</td>
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</tbody>
</table>

The entrepreneurial collapses of the late 1980s, including Qintex, affected several foreign-owned banks badly. The Hong Kong Bank of Australia recorded a net loss of $81.6m in 1988-89, compared with a 1988 profit of $10.8m: Wardley Australia, which lead-managed QAL’s senior lending syndicate, had been fully integrated within that group in 1989. Barclays Bank Australia recorded a heavy loss of $80.88m for 1988-89 compared with a 1987-88 profit of $6.8m, which halved its parent Barclays Bank PLC’s pre-tax profit. It fired fifty of its finance department staff in November 1989. Chase AMP, which lent QAL $215m, reported a net loss of...
$149.51m in 1989-90 after making provisions for bad debts. In July 1990 Australian Ratings revalued the banking sector and its exposure to the failed entrepreneurs and downgraded the long and short-term debt of Standard Chartered, Chase AMP, and Hong Kong Bank.42

Access to credit, which Marx classified as ‘fictitious capital’43, was central to the development of the Qintex Mirage. ‘Fictitious capital’:

… has a nominal money value and paper existence, but … at any given moment in time has no backing in terms of real productive activity or physical assets as collateral. Fictitious capital is converted into real capital to the degree that investments … (may) lead to … (increased) assets … 44

Skase, along with other ‘new’ Australian entrepreneurs of the 1980s, expanded his mirage because of financial deregulation and built it with borrowed capital.

A ‘casino economy’ emerged in which ‘financial speculation and fictitious capital formation (often without a productive base) provided abundant opportunities for personal aggrandisement.’ ‘The world’s financial system … (became) a mess of liquidity and indebtedness’, with a massive market in ‘stateless money’. This devolves from that facet of temporal displacement which transposes ‘resources from meeting current needs to exploring future ones’. This depends on ‘fictitious capital formation’, and accessible credit.45

In the 1980s ‘fictitious capital’ funded an emerging entrepreneurial culture built around an intensifying liberal ideology of competitive possessive individualism, which encourages self-interest and competition. There was a contradiction, however, in the corporate consolidation which conflicted with commitment to free market

41 SMH 31/10/89:25.
42 Wardley’s then chief executive English born James Yonge was proud of his lack of formal education and was ‘street wise and educated at the university of hard knocks’. Age 6/6/90:21. CM Mail 16/3/90:26; 24/3/90:33; 22/5/90:23; 24/7/90:29; 13/12/90:32. Reuters Report 14/2/91.
Entrepreneurs used mergers and acquisitions to concentrate production and expand their productive bases. Other ‘reasons’ for takeovers included diversification to reduce risks, under-performance and low market valuation of target companies, undervalued assets and short term gains from assets stripping, and tax minimisation schemes.  Simultaneously ready access to credit from whatever source and its rapid dissemination encouraged the growth of ‘paper entrepreneurialism’.

Skase established a pattern of debt to create his mirage which eventually led to the group’s collapse. Finance was always a problem for Skase: expansion was constantly overshadowed by a lack of money, exacerbated by Skase’s apparent need to maintain a minimum of 50% equity in most companies in the group.

Qintex had three principal sources of capital for its expansion. Like many ‘new entrepreneurs’ Skase did not have the contacts or backing to give him sufficient access to Australia’s conservative ‘establishment’ sources of finance and local banks. He established early contacts with the newer less conservative financial institutions. (see table 2).

The group also increased its share capital. It either floated new shares on the market, as it did when it acquired Universal Telecasters Qld, or it issued rights on shares. Between June 1984 and September 1985 the group raised over $1.9m with rights issues. Takeovers partly funded by rights raised problems for Skase. As the pyramid of companies expanded, rights issues were extended further up the pyramid to maintain the holding over 50%. At each level gearing increased. Thus as the group

44 Harvey:182.
45 Harvey:162, 182, 332.
46 Harvey:170.
expanded the level of debt rose sharply, both within the group and for Skase himself, to maintain his family company Kahmea’s holding in Qintex Ltd.

The association between money, time, and space has a pivotal role in the continuing development of capitalism. Each mode of production or cultural formation has specific practices, concepts and meanings of time and space with ideological ramifications. ‘(They) are never neutral in social affairs’.  

Spatial dimensions include ‘influence over the ways of representing space, as well as over the spaces of representation’. Within the context of the Qintex group it would range from nebulous space reached by the group’s television holdings to the clearly defined limits of its resort holdings. Skase’s inability to control the spatial dimensions of the group and his lack of comprehensive political influence were a factor in the group’s collapse. Skase claimed that, in 1989, he had concentrated on the proposed purchase of MGM/United Artists and not paid enough attention to the conduct of the business in Australia.

Spatial mobility and ability to change locations and move into other geographical areas depends on financial strength. Harvey argues that ‘[a]ccumulation provides (capitalists) with the wherewithal for expansion’. When Skase tried to move the centre of his operations from Australia to the US he found that he had not accumulated sufficient resources to make the change, and he lacked the contacts to draw on overseas financial sources.

48 Harvey:204, 239.
49 Harvey:233.
50 Harvey:234.
Technical innovations in communications and transport in each historical socioeconomic period have compressed both time and space, as referred to above.\textsuperscript{51} The transition to flexible accumulation is marked by an intensity and speed of … time-space compression that has had a disorienting and disruptive impact upon political-economic practices, the balance of class power, as well as upon cultural and social life.\textsuperscript{52}

Harvey applies the concept of ‘time in advance of itself’ to the late 1970s, peopled by ‘speculators, entrepreneurs, and debt-peddling finance capitalists’.\textsuperscript{53} This found expression in the ways in which ‘investment’ became associated with unproductive short term gains on the stock exchange and with regulatory solutions such as the accounting profession’s ‘just in time’ \textit{ad hoc} solutions which are discussed in the next chapter. As mentioned above rapid technological advances and new organisational forms have contributed to the deregulation of the finance sector and created new sources of credit in Australia.

Skase further capitalised on this time/space compression when hiding assets from his Australian receivers in bankruptcy. Attorney General Daryl Williams said Skase had ‘engaged in the use of tax havens and strings of companies to conceal the origin of assets’ which made tracing them ‘extremely difficult’.\textsuperscript{54}

A central issue of ‘the condition of postmodernity’ is the relevant class relations in which money power has replaced direct control over the means of production and wage labour in the classic sense, as a means of domination.\textsuperscript{55} Social goals have been subordinated to economic needs. ‘The tail that is the economy wags

\textsuperscript{51} Harvey:240.
\textsuperscript{52} Harvey:284.
\textsuperscript{53} Harvey:223.
\textsuperscript{54} Age 7/8/01:1.
\textsuperscript{55} Harvey:347,348.
the dog that is society’. The operations of the ever-changing economic base of capitalist society, which determines its political and social superstructure, have become more overt, and have assumed a more public face.

There is an increasing gap between the impoverishment and disempowerment of one large sector of the community and the increased affluence of a much smaller sector at the other end of the community with a ‘boom’ in business and financial services.

![Figure 1.1 All Ordinaries Index 1970-1990](image)

Australian share prices fell at the time of the oil crisis, but steadily increased in the late 1970s and fell again in 1982. After the financial deregulation of the 1980s they rose sharply, particularly from 1985 until world share prices collapsed in October 1987. The investing public fuelled a ‘speculative bubble’ repeatedly based on borrowed capital.

Qintex depended on the way in which economic conditions benefit small ‘privileged sectors of the community’, and encouraged expansion in ‘real estate, finance, and business services’. With burgeoning debt and fictitious capital the

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57 Adapted from graph supplied by the Australian Stock Exchange at http://www.asx.com.au.
58 Harvey:294.
economy increasingly depended on ‘the production of fictitious capital to lend to real
estate agents who cut deals for the highly paid professionals who manufacture
fictitious capital’. This was the market which Qintex targeted with Hardy Brothers
jewellery stores, and with its tourist developments which incorporated the sale of real
estate in the form of condominiums.

These privileged people constituted the new leisure class, defined principally
by its access to money, a large part of which was ‘fictitious capital’. Its members
follow any occupation capable of generating large sums of money without obvious
criminal consequences. They comprise the privileged sector of the contemporary
‘leisure society’ which has time and money for leisure activities, and which presents
leisure as ‘a reward for hard work ... to be used wisely’. The stress on hard work
however is not always evident in this sector’s activities; many of its members do work
long hours but many others appear to consider the generation of high incomes
sufficient justification. They consume conspicuously, and surround themselves with
symbols of their wealth and affluence, such as the sorts of goods sold by Hardy
Brothers and habituation of the expensive five star Mirage Resorts.

Symbols and images are paraded as evidence of their possessor’s intrinsic
social standing and status in a capitalist society which honours the possession of
wealth. Their importance increased with postmodern society. Symbols, however
can be forms of fictitious capital: despite their potential intrinsic value they often lack
solid foundations.

59 Harvey: 331-332.
60 This group should not be confused with the leisure class described by Veblen, which included an element of
Alternatives 6,3:22.
62 Harvey:289.
The importance attached to symbols and images has generated a whole creative industry. Images help ‘to establish identity in the market place’. Harvey states that ‘images … themselves have become commodities’, and he argues that this does not conflict with Marx’s theory of commodity production. The manipulation of images has become central to capital expansion. In the postmodern period ‘[a]dvertising and media images … now assume a much greater importance in the growth dynamics of capitalism.’

Skase used the media to create and project images which were important to him, both for himself and for the company. Qintex was in fact marketing itself on three fronts, these were: the share market (‘good’ share prices were crucial for raising credit), the banks and financial institutions (which frequently granted credit against share prices) and potential consumers of its products. Thus the group had to create an image which would appeal to all three segments of the population. The name Qintex became associated with luxury and glamour. The name Mirage for the chain of resorts promoted an image of relaxation, wealth and luxury. Mirage, however, embodies contradictions. On the one hand it evokes the images mentioned above, on the other hand it is a fictitious product, a phantom, an illusion which in the case of the Qintex mirage concealed very real financial deficiencies. The generation of its ‘good’ image was an essential element in maintaining high share prices as security when the group borrowed money.

Financial deficiencies made it essential that Skase construct an image of stability and financial worth. One perspective of this image for Qintex was the way in which Skase established some degree of ‘commercial credibility’ by attracting a level

63 Harvey:287-288.
of institutional support: this was crucial when the group raised capital through share
issues. His courtship of institutional shareholders, particularly AMP, Australia’s then
biggest institutional investor, is discussed further in the next chapter with respect to
risk perceptions. AMP’s presence on the list of top shareholders was supposed to be a
stamp of the company’s financial integrity, and was intended to indicate this to the
market. This was an important aspect of the group’s access to loans.

Another aspect of the mirage illusion was the postmodern ‘provision of very
ephemeral services in consumption’, stressing ‘instantaneity’ and ‘disposability’.
Harvey considers this from the aspect of the ‘throw-away society’. It can be argued,
however, that Skase targeted the higher socio-economic strata of this sort of society,
the so called ‘leisure class’, with resorts, holidays and real estate, and with Hardy
Brothers jewellery. Qintex’s television and entertainment interests, which provided
most of its meagre cash flow, were directed at all sections of the same sort of society.
The products which Skase provided resorts, holidays and television, are all
‘ephemeral’, ‘instantaneous’, and disposable, consumer items.

Harvey extends Toffler’s argument that the contemporary ‘throw-away
society’ has created a society based on transience with short-lived ‘public and
personal value systems’. The postmodern social environment is extremely volatile.
It provokes a sense of economic insecurity which encouraged the emergence of
several charismatic entrepreneurs in the 1980s. Skase the boy millionaire’s
charismatic authority was consistent with Weber’s concept. He surrounded himself

64 It is argued later that the blame and censure directed at Skase following the Qintex collapse was a backlash
from the high media profile of luxury and leisure he previously created for himself.
65 Harvey: 285.
67 The wide-ranging debates concerning charismatic leadership/authority are beyond the scope of this thesis. See
Beyer, J.M. (1999) ‘Taming and promoting charisma to change organisations Leadership Quarterly 10 (2) 307-
Quarterly 10 (4):563-574.
with a group of people he trusted, many of whom moved to Queensland from Melbourne at his behest. The loyalty he engendered among his supporters was demonstrated by the group of 22 minor unsecured creditors (owed about $83,000) who delayed an attempt by major secured creditors (owed about $120m) to replace Mr Neville Pocock as Skase’s trustee in bankruptcy after Pocock had returned Skase’s passport. His enormous ego and assumption of a god-like tyrannical leadership is consistent with Couch’s observations that charismatic relationships can be transformed into tyrannical ones.

Weber notes the transient nature of charismatic authority. In order to continue the leader must continue to provide miracles. Glassman considers that modern media has a pivotal role in creating charismatic leaders. The media had a central role in creating Skase's charismatic authority and when his ‘prophecy’ failed the same media was a strong factor in his demonisation.

The transient nature of ethical values implicit in Harvey’s and Toffler’s argument is both contradicted and supported by Skase's ethical values. These were very much his own. He exhibited no qualms about his apparently luxurious lifestyle which contradicted his claimed lack of assets after the group’s collapse, but at the same time he particularly stressed loyalty, both to, and from, his associates and employees. His strong views on media ethics were apparent in 1989 when, although

68 They included a florist owed $455, a doctor owed $25, and an osteopath owed $180, Skase’s bodyguard Bill Jones owed $7,217.60 and Peter Sawyer public relations consultant owed $5,260. Another was architect Desmond Brooks, who was reputedly paying Skase $570/week and who was understood to have claimed debts of $10,000 and $15,000 associated with some of Skase’s legal bills. Australian 4/7/91:26. AFR 4/7/91:17. CM 4/7/91:21; 6/7/91:31.
his companies needed the money, he relinquished Robert Halmi’s right to a sequel to the successful *Child's Play* because of its violence, despite its earning potential. 72

A feature of the Qintex collapse was the power exerted by banks. They dominated the group’s final phase as a public company. The Commonwealth Bank’s refusal to allow a moratorium until Skase disposed of assets led to Skase's application in the Victorian Supreme Court for a receiver to QAL. Despite the credit system’s inherent ‘power to regulate money’, relations between ‘the financial system’ (credit paper, fictitious capital, financial instruments of all kinds) and ‘its monetary base’ are constantly tense.

… (and) Control over the rules of money formation is … a strongly contested terrain of struggle which generates considerable insecurity and uncertainty as to the “value of value”. 73

The regulation of money and capital flow is institutionalised, and the state may intervene in credit creation in its attempts to control essentially fluid capital circulation. The state’s autonomy, however, is not unquestioned, its powers are subject to both ‘internal forces’ and ‘external conditions’. At the same time there were internal pressures from the financial community. 74

Most companies are periodically ‘capital dependent’, they require access to finance, which becomes a commodity controlled by financial institutions. When

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73 Harvey:107.
74 Harvey:108-111.
exercising their hegemony financial institutions decide which companies they will support. Their decisions depend on a number of factors in addition to available data about a company’s financial position.\textsuperscript{75}

Information has become ‘a very highly valued commodity’, and ‘privileged access to information … becomes an essential aspect of successful and profitable decision-making’.\textsuperscript{76} The accelerated time/space compression of the postmodern era has produced increased, faster, sometimes uneven, dissemination of information. Local Australian financial institutions had a privileged position in the business community, whereas the foreign financial institutions were hampered by a relative lack of knowledge of the local business community.\textsuperscript{77} When the larger local financial institutions exercised their right not to lend money to several entrepreneurs, they borrowed from overseas banks, which did not know any better. Qintex’s major creditors were foreign banks, or their Australian subsidiaries. The ‘local’ Commonwealth Bank, which carried about 10\% of its debt, finally ‘pulled the plug’ on Qintex.

This chapter analyses the political and economic context within which the Qintex mirage developed. It locates this within the early postmodern phase, applying Harvey’s concept of the ‘condition of postmodernity’. It demonstrates the relationship between aspects of postmodern flexible accumulation and the rise of the ‘new’ entrepreneurs in Australia in the 1980s. It highlights those elements which facilitated their expansion including the ‘red queen’ element. These include the


\textsuperscript{76} Harvey:159.

\textsuperscript{77} van Fossen pers.comm. 1995.
deregulation of the Australian banking sector, the global expansion of financial
hegemony and the rise of a new leisure class. In doing so this chapter establishes
clear links between the broad theoretical macro-level and the individual micro-level
of the case study. The next chapter considers corporate collapse and ways in which
the state exercised its regulatory powers within that structural framework
Chapter Two

Corporate Collapse and Regulation

Corporate collapse is arguably an integral element of capitalism’s ‘free market’ in which Adam Smith’s ‘invisible hand’ eliminates the unfit, and ensures the survival of the fittest. Concomitantly the dominant neo-liberal ideology encourages ‘free private enterprise’ with the promise of success. A company, or group of companies, which collapses is considered deviant. Qintex was one of 6,1089 corporate insolvencies in 1989.¹

This chapter analyses corporate collapse and the regulation of the corporate sector in the 1980s within the political context established in the previous chapter, as it impinged on the Qintex group collapse. It continues the emphasis on postmodern themes highlighted by Harvey. I argue that neo-liberal ideology restrains public perceptions of risk regarding the corporate sector. This laissez-faire attitude extended to the mirage of corporate regulation during that period. This position was exacerbated by inadequate control of accounting regulation, which is considered at both macro and micro levels.

Corporate Collapse

The postmodern era provides a context for the rise of the Australian entrepreneurial companies of the 1980s. There is nothing distinctly postmodern about their collapses, however, except that they were ‘bigger and better’ than all previous collapses, and the number of collapses increased spectacularly in the 1980s (from 1,178 corporate insolvencies in 1976 to 6,189 in 1989 to 10,361 in 1992), and the

figure has remained high since that time.² Argenti’s classification of corporate collapse, formulated at the beginning of that era is directly applicable to the collapses of the 1980s.³

Skase was one of several 1980s entrepreneurs who created corporate ‘giants’, which subsequently collapsed. ‘[He] was the controlling figure of the Qintex group of companies’.⁴ These companies followed a pattern, which Argenti classified as ‘type 2’ collapse. They all had a small beginning, and a spectacular rise to corporate prominence frequently acclaimed in the financial media. They could not sustain a high level of activity, and declined sharply before collapsing.⁵ Qintex lasted fourteen years under Skase’s control, the outer limit of Argenti’s predicted lifespan for these companies.

This type of company apparently displays impressive growth, but it has constant cash flow problems, and continually needs more working capital, creating more debt or more new equity. As it expands it is featured in the financial media, pushed by brokers, its share price rises, and it attracts new investors. This spreads the risks associated with its collapse into a broader section of the community.

A prominent feature of the rise and fall of this type of company is the often charismatic, dictatorial, ‘larger than life’ chief executive (frequently also chairperson). These people are:

flamboyant, loquacious, restless individuals who bubble with ideas (with) more drive than control … (their) ambition is

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almost pathological … (they have) an enormous ego (and)
refuse to accept advice because they ‘know it all’.

Their ‘enormous confidence’ inhibits their risk perceptions. Skase, who ‘…
doggedly pursued deals on his own, shunning investment bankers and refusing to
accept criticism from underlings’, exemplifies this type of corporate dictator.

‘[W]hen (he) gave … a direction you didn’t argue … when (he) said “do it” you
didn’t waste time’. Skase assumed rock-star status at his 1987 Christmas party at the
Mirage Gold Coast resort to guests … (he emerged onstage to greet his guests
accompanied by) “You ain’t seen nothin’ like the mighty Quinn”.

Skase was arrogant in his single-minded ambition to be a millionaire before he
was thirty. He was a charismatic leader, but a former senior executive said he had
‘little substance’. He was good at talking, but nothing followed. He promised things
which never eventuated.

He gained an encyclopaedic knowledge of the Australian corporate scene at
Were and as a financial journalist, but never, however, gained any broad ‘hands on’
knowledge of management or accounting techniques. Although he hired experts in
these fields, he frequently did not consult them. He involved himself directly in the
management of the companies in the group, but frequently failed to inform his
executives of matters which directly concerned them. He was ‘very influential’ in the
group’s television policy matters. Skase was ‘very much the initiator of ideas in the
group’.

Skase revealed a lack of managerial expertise and a general perfunctory
approach to management in evidence before the Australian Broadcasting Tribunal.

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7 Business Week 11/12/89:76-77.
8 Gregory Clyde Smith (former salesman Baillieu Knight Frank (Gold Coast Pty Ltd) cited Susan Pender
Jewellery Pty Ltd v Mirage (Operations) Pty Ltd & Ors [1996] 890 FCA 1 (5/8/96) (Federal Court of Australia
When asked about his radio/television managerial experience he claimed to have a ‘flow on’ from his father’s experience as a radio and television announcer, some contact with a financial radio program while working at the *Financial Review*, and his experience as a (non-executive) VBN director in 1977. He compounded this with an asserted lack of concern ‘about the company’s profitability’.  

All of the large companies, which collapsed in the 1980s and early 1990s, were led by strong entrepreneurs, with weak independent non-executive directors. The distinction which Scott makes between ‘control’ and ‘rule’ did not apply in their case. They frequently held a controlling interest in their company. Skase maintained holdings in excess of 50% of all his Australian companies. A December 1985 article described them as:

…single-minded ambition, intelligence, extraordinary business skills and absolute confidence in their own abilities... (They were) brilliant take-over merchants buying assets at a discount … (with) many business interests in common... when playing … (they forgot) all about investment fundamentals.

They ‘played’ with assets and the fundamentals they ‘forgot’ included price /earnings ratio (informed investors then considered a ratio over 12 ‘adventurous’; Qintex’s was 27.4), and income (Qintex was paying 1.92% in dividends; ‘Aussie’ Bonds paid 13%). Their exuberance generated the confidence in the market, which supported these ‘irrational’ fundamentals.

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11 Anonymous 2.
14 Bosch, H. (1995) *The Director at Risk: Accountability in the Boardroom*. Melbourne: Pitman Publishing : 15. These include corporate groups such as John Spalvins’ Adsteam, and Alan Bond’s group of companies.
Skase and other 1980s entrepreneurs became popular public figures who were accepted with a nationalist fervour. This is considered more fully in the next chapter with respect to corporate deviance. Their high public profiles relate directly to the increased emphasis on the possessive individual in that period. This follows from Harvey’s ‘time-space compression’; as technology has compressed time and space the individual assumes increasing importance. (See Chapter 1 pp20-24) Contemporary neo-liberal, marginalist, economic rationalist, capitalism now stresses ‘the behaviour of individuals’. Individuals and notions of voluntary association are separated from considerations of class and property relations in a manner, which ignores inequalities arising from class, race or gender. This diverts attention from the underlying social structure, including ‘class and other social-structural considerations (which include corporate regulation and control)’. Thus in the 1980s the focus of attention on a few high profile entrepreneurs

diverted attention from how the underlying frameworks of accounting and auditing institutional, legal and regulatory mechanism facilitated deception, masked pending failure and frequently exacerbated the disastrous financial outcomes.

This prominence given the individual is carried into the corporate sector, and the public company becomes a legal individual ‘corporate being with its own rights and responsibilities’.

Despite the fact that very few companies last indefinitely, the concept for a ‘blue chip’ company’ is inherent in the dominant ideology. This defines an established company, which is perceived to be ‘safe’, ‘sound’ and ‘secure’. It also

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'performs' very well year after year. Its very reliability allows it to trade at a relatively low dividend yield compared to base interest rates. Blue chip companies set a benchmark against which other companies are measured. They set a standard of performance, which other companies attempt to emulate; if necessary these create a paper mirage to disguise poor performance. Allied to this is the notion that ‘the stock market as a whole has always been the best investment’\textsuperscript{20}

The fact that some companies do fail embodies risk, for employees, creditors and shareholders. Risk is discussed here within the specific concerns of the corporate sector and is related particularly to the financial risks associated with corporate collapse. Corporate collapse is not usually postulated in terms of risk, nor is there any overt acknowledgment of the risks associated with it. Unequal power distributions work to ensure the legitimation and protection of the whole market system; all the institutions involved work together to minimise risk perceptions. The gambling element associated with investing on the stock market is minimised. Despite apparent public outrage following some corporate collapses, they are treated as ‘aberrant’ by the ‘efficient market’, which swamps them statistically in empirical collections of large samples.\textsuperscript{21}

The mid-nineteenth century limited liability legislation shifted protection from creditors to investors and became a legal mechanism to minimise risk. Under the Acts, companies are responsible for their own debts and shareholders are not, although they are entitled to a share of company profits. Entrepreneurs are able calculate how much they are prepared to risk, their liability is limited to the face value of the shares (or their purchase price). Fully paid shares carry no liability, although

the holders of partly paid or contributing shares may be liable for the remainder of the face value of their shares. This became an issue for some holders of contributing Qintex America shares after the group collapsed, who argued successfully that they had never agreed to the issue of Qintex America contributing shares when that company was formed from Hardy Brothers.

The literature on risk concentrates on the more observable occupational, health, technological, natural, and environmental risks. For that reason I have drawn on concepts from a variety of sociological perspectives.\(^\text{22}\) This focus is part of a larger process, which minimises public perceptions of the risk of corporate failure. Tinker argues that

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\text{fundamentally there is little difference among a firm that seeks to avoid the cost of safe treatment of toxic waste, a firm that uses fictitious financial statements to raise capital, and a firm that successfully disposes of its pension obligations to employees ... these situations are identical in that they exemplify the struggle among different social constituencies over the distribution of income, a struggle in which accounting plays an important and substantial role.}\(^\text{23}\)
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I argue that Frank Knight’s questionable distinction, between mathematically quantifiable ‘risk’, and ‘uncertainty’, which is not ‘statistically calculable’, removes a relevant factor in risk analysis. The concept of a mathematically calculable risk minimises its threat, just as risk segmentation or the ‘pooling of risk’ minimises it in

the insurance industry. Uncertainty is an essential element of risk in the corporate sector and should never be factored out of sociological consideration of risk.²⁴

The wide consequences of corporate collapse are subsumed in rhetoric of blame such as that which followed the series of very public collapses that occurred at the end of the 1980s. That blame was channelled toward Christopher Skase. Skase became bitter about the attitude of Australians towards him … [he] believed investors knew they were taking risks – and for everyone who lost a thousand dollars Skase lost a million. He could not understand why people did not regard him as being in the same boat.²⁵

Risk perceptions are socially constructed. The general public does not have high risk perceptions concerning the corporate sector. This is consistent with the distribution of power and influence. Thus van Fossen argues that ‘risk distribution … (is an arena) of class conflict’.²⁶ It directly reflects the dominant neo-liberal laissez faire ideology of the capitalist free market system and its concept of possessive individualism and notions of a ‘level playing field’, and from the financial hegemony associated with postmodern flexible accumulation. This ideology assumes that all individuals make rational decisions and rational choices based on an equal capacity to process and assess information.²⁷ ‘Responsible risk taking’ is endorsed as a matter of rational individual choice.²⁸ It supports its ideology of minimum state intervention as it diverts attention from social issues and from the contradictions of capitalism and the ‘free’ market. Society has ‘become a risk-taking society of knowledgeable,

²⁵ Statement attributed to Tony Morris a Brisbane barrister who had represented Skase. CM 7 August 2001: 7.
responsible, reflexive risk takers’. Griffin argues that the notion held by many regulatory agencies, that ‘consumer education’ curbs white-collar deviance, and which contributes to their policies, is debatable in light of the number of white-collar fraud deviant activities which consumer knowledge should prevent.  

Individual success is rewarded. The emphasis on success, however, precludes any consideration of failure, although financial success for some in a competitive market depends on financial loss for others.

The dominant ideology of the corporate sector minimises the appearance of risk by encouraging the notion that risks are controlled and that creditors and the investing public are protected from misuse of their trust and money. Pixley argues that within organisations impersonal trust is ‘unavoidable in decision making due to fundamental uncertainty’. I suggest this contributes to a broad community trust in regulations. ‘Legal rules’ are supposed to mediate financial transactions and help construct a ‘level playing field’. Many companies adopt active public relations and advertising policies to reduce public risk perceptions. Annual reports enhance the myth of invulnerability. Corporate reporting encapsulates ‘a concern with market equilibrium and … (a) passive acceptance of the existing social and political context’. This serves to assist and stimulate capital accumulation.

The role of accounting in perpetuating the myth under the guise of protecting shareholders is discussed below. It is pertinent here to note that the auditor’s opinion

helps legitimate the integrity of the annual report’s financial information. Different groups of people (shareholders, regulators and financial/investment advisers, financial analysts and the financial media) use the information in audited accounts. Each group has different priorities and relevant information for one reader may be irrelevant for another. All, however, seem to give ‘unqualified endorsement’ to its ‘presumed use’. From the published data they calculate ‘financial indicators, profitability, solvency, liquidity, rate of return, asset backing, debt/equity ratio etc’.

They do not consider the possible input of ‘opinion shopping’. This is a recognised technique which allows a company and/or its directors to seek advice from a number of advisers. They are not limited to one opinion. They may approach several advisers and canvas a range of opinions and accept that which most suits their requirements. ‘[T]he only opinion that counts is the one the client wants’. Qintex Ltd selected its new accountant on that basis after Deloitte Haskins & Sells, qualified its 1981 annual report. Several accountants were invited to tender for the contract on the basis of that qualification. The firm which won the contract, Wallace McMullin and Smail (later Duesbury’s), did so on the understanding that it would have approved the 1981 report.

The impact of the available data on the stock market is debatable. Some writers argue that the market does not pay enough attention to available information; others argue that the market can ‘see through’ accounts and adjust for factors which do not affect a company’s financial position. Burchell et al argue that investors are

35 AUS1 - Auditing Standards/11/90, Para 8.
not ‘passive recipients’ but that they ‘question and corroborate accounting information’ in order to make their own independent investment decisions. Others including Foster, argue that the market can ‘see through’ accounts and adjust for factors in accounts which do not affect a company’s financial position. Foster argues that ‘information about the reputation of management’ is often a crucial factor in analysis of financial information. James Capel analysed the Qintex group in 1989 and pronounced QAL ‘a buy for the adventurous fund manager’, with ‘blue sky potential’. At that time the group’s share prices had already begun to drop; these reports did not reverse the fall.

In order to advance, capitalism needs entrepreneurs to start companies and businesses. Many do so despite the risks involved, although as mentioned above their risk is mitigated by limited liability. A study by Simon, Houghton and Aquino suggests that entrepreneurs do not willingly take risks but that belief in their own skills lowers their risk perceptions. Skase’s behaviour fits this pattern. He relied extensively on his encyclopaedic knowledge of corporate Australia. He apparently had enormous confidence in his own abilities and, as mentioned above, he made decisions without consulting others.

At this point it is pertinent to discuss share prices which should/are expected to reflect the earning potential of a company’s assets. Share price changes are supposed to reflect ‘changes in economic fundamentals’. In the 1980s companies

43 Gallacher, J. and Duncan, M. (1989) Qintex is it all a Mirage?: summary.
such as Qintex Ltd borrowed money from financial institutions against the value, based on their current share price, of their holdings in subsidiary companies. This had alarming consequences for the group’s viability in 1989 when its share prices fell so that their debt levels were no longer covered by asset value.\textsuperscript{47} Share prices do not always reflect the original capital investment in a company, but to some extent the company’s current market value incorporates expectations about asset value, however irrational those expectations may be.

Investors expect their shares to provide dividends and capital growth. A feature of the postmodern share market has been the introduction of large numbers of ‘new’ investors. In the 1980s these and many ‘old’ investors assumed that share prices had no ceiling. They often assumed that share values were confirmed by researchers and other investors. In their ‘irrational exuberance’ they created a ‘speculative bubble’ in a non-stop cycle of increased confidence $\rightarrow$ higher prices $\rightarrow$ new investors $\rightarrow$ higher prices.

The media is not neutral in this process. It ‘actively shapes public attention and categories of thought’, including the investing public. As public interest in the share market increased so the business/finance media expanded with, and incurred further public attention to the share market.\textsuperscript{48}

Analysts, including potential creditors, incorporate share price and dividend yield in their estimates of a company’s viability. In the case of companies like Qintex

\textsuperscript{47} When QAL shares fell to close at 50c on 3/10/89, the value of Qintex Ltd's holding fell to $44.39m. Qintex had borrowed against its value of $158.12m in the 1988 accounts on a share price of $1.80. \textit{Age} 4/10/89:29. \textit{Australian} 4/10/89:26. \textit{AFR} 4/10/89:1-2. \textit{Australian Business} 4/10/89:85. \textit{SMH} 4/10/89:41.

analysts also included perceptions of a company’s growth prospects. Some companies are listed for several years and maintain a share price on expectations alone. Thus when PML Property Trust became a cash shell and ceased paying dividends and was renamed Mirage Resorts Trust it maintained its, slightly lower, share price on the expectation of future dividends from the resorts. Share prices depend to some extent on the investment public’s risk perceptions; and investment decisions may be ‘… based on gossip, ritual faith and speculation’. Share prices may be manipulated by ‘creative accounting and a slick public relations campaign’.  

[If the share price is a myth, embodying all the lies, deceits, half-truths, misinformation, speculations, and corporate daydreams inflicted by management on innocent buyers and sellers of shares … (Then) share prices no longer pretend future worth and earnings; they are distortions and perversions of future reality.]

In an attempt to bolster falling Qintex Ltd and QAL share prices, associated with the MGM United Artists takeover, Qintex release unaudited ‘management accounts’ in September 1989 which claimed that the group was earning a healthy profit. These accounts did not halt the slide in the companies’ share prices; they were a paper mirage which were not followed with the release of audited accounts to the Australian Stock Exchange (ASX).

Qintex had a relatively small share ownership base. Skase was at the top of a pyramid in which each level held over 50% of the companies in the level below. The twenty largest shareholders, which included ‘a small band of closely informed shareholders’, held over 83% of Qintex Ltd’s shares in 1988 leaving less than 17% of its shares available on the open market.

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Skase himself controlled over 50% and the other large shareholders were predominantly professional investors, whose presence on the shareholder list gave the group some level of respectability.\textsuperscript{54}

Share prices of companies such as these are easier to manipulate as their stocks are ‘thinnedly traded and relatively few transactions determine their share prices’.\textsuperscript{55} McIntosh, Qintex’s broker, ‘several of whose senior staff held (Qintex) investments,’ gave regular, usually favourable, reports on the group.\textsuperscript{56} Other analysts tended to ignore its stocks. In the six months prior to the group’s collapse, however, several analysts released negative reports which put pressure on the group’s share prices: James Capel claimed it had a gearing of 118% and called it ‘a buy for the adventurous’, and Potter Partners advised its clients to sell or reduce their holdings.\textsuperscript{57}

\textsuperscript{53} Bulletin 28/2/89:116.
\textsuperscript{55} Tinker (1985):16.
\textsuperscript{56} Euromoney/8/89:27,29.
For practical purposes investors can be divided into three broad categories; small relatively uninformed individual investors, ‘sophisticated’ professional individual investors, and institutional investors. Despite neo-liberal ideology that places these groups on a ‘level playing field’ the unequal distribution of power and social influence leads to an unequal distribution of knowledge. Insider trading is now illegal, but it is virtually impossible to totally prevent the exchange of inside information. Insider trading allows individuals to make profits at the expense of those who are not ‘in the know’, but its overall effect on the market is debated. Insider purchasing appears to minimise forecast errors and forecast dispersion, neither of which appears to be affected by insider selling. Bloomfield, Libby and Nelson demonstrate that ‘less-informed investors’ frequently buy too high and sell too low, and that they ‘may suffer from over-confidence and trade too aggressively’ if given the amount of information sometimes available to ‘professional investors’. Risk perceptions may be different for each group, but all are mitigated by some sort of professional financial analysis. The first group mostly depend on financial advisers, the other two, however, are supposed to be able to assess a share’s ‘real price’ using their analytical skills and knowledge. These skills and knowledge depend to a large extent on a company’s audited accounts.

The presence of institutional shareholders among the list of top twenty shareholders published in the annual reports of listed companies minimises the general investing public’s risk perceptions. Australian institutions have relatively larger shareholdings than their US and UK counterparts. They frequently hold 5% or

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more of Australia’s ‘blue chip’ companies. In the 1980s the largest institutional shareholder AMP held about 6% of the total market and had several holdings exceeding 10%. The pattern of institutional shareholders has changed since that time. Now the largest group of institutional shareholders is the bank-managed investment funds, and AMP’s holdings rarely exceed 5%. Although these institutional shareholders did not intervene overtly in company affairs, they could exercise their prerogative to ‘walk’. Their presence among the top twenty shareholders was a distinct advantage, but the sale of a large holding could adversely affect share prices.

Skase established some degree of ‘commercial credibility’ by attracting a level of institutional support: this was crucial when the group raised capital through share issues. He courted institutional shareholders. The group developed the practice of inviting all the major institutions to visit and ‘grill’ the executives of the company at least once a year on a ‘one to one basis’. Skase argued that there were a number of institutional shareholders spread among the listed companies in the group. In March 1985 The National Mutual Life Association of Australasia Ltd held shares in Qintex Ltd (0.3%), Industrial and Pastoral Holdings (10%), and Universal Telecasters (5%); and Australian Eagle Star Insurance Co Ltd held shares in Qintex Ltd (10.8%), Industrial and Pastoral Holdings (6.5%) and Universal Telecasters (6.7%). Several others had remained with Industrial and Pastoral Holdings after acquiring their holdings in 1982. Capps, the group treasury manager, claimed at the end of 1988

61 Australian Broadcasting Tribunal (1985b) Share Transaction Commercial Television Station TVQ-0 Brisbane. Brisbane: Commonwealth Reporting Service. Background and Information Paper Relating to the public inquiry into the acquisition by Wilkinson’s Television Pty Ltd pursuant to an agreement with Wilkinson’s Timber Industries Pty Ltd of all the shares in Universal Telecasters Qld Ltd on 31/5/84.
that institutional demand for shares was then quite heavy. FAI was also reported to have a large holding.63

Skase achieved a long-term ambition to have AMP among his institutional shareholders when it acquired the equivalent of 20% of QAL in 1988.64 Stefan Borzecki, a former investment manager with the group said that ‘such a key institution would confound all those brokers and investors who were reluctant to touch him’.65 When the Qintex group collapsed AMP Australian equities manager, Merv Peacock, said AMP’s ‘research department is good and follows closely every stock they hold but they do get it wrong occasionally’ and it had been misinformed about Qintex. It ‘had avoided the Bonds, the Bells and Hookers,’ but ‘got caught with Qintex’.66 Skase’s mirage had fooled a very careful investor.

The corollary of risk is blame and an immediate response to failure is the allocation of blame. Douglas argues that the

… cultural processes which select certain kinds of dangers for attention work through institutional procedures for allocating responsibility. Blaming the victim, … or blaming the outsider are well-known strategies67

Blame is directed at inadequate regulation and/or accounting, or bad management, or less than strict adherence to financial and/or corporate regulation, or inadequate controls in financial institutions, or at deviant action by the company or its directors. This is soon diverted from the structural defects such as inadequate state intervention, towards individuals. The ‘cult of the individual’ moves social focus from the faulty structures and constraints of the capitalist economic system, including correction of

63 This included preference shares paying about 25% interest.
64 AMP bought $55m of convertible notes and shares from John Fairfax Ltd on advice from its research department. Euromoney/1/89 Supp Brisbane:26-27;/8/89:27,29.
65 AFR 29/6/90:1,18.
faulty, or inadequate, corporate regulation. It attaches blame to individuals; failed
entrepreneurs are labelled ‘corporate cowboys’. In the 1990s Skase, who ran away
rather than ‘face the music’, became the ‘scapegoat’ for corporate Australia of the
1980s.

The morals and ethics of individual directors, individual auditors or bankers
are all called into question. The allocation of blame is influenced by knowledge of
bankruptcy. Buchman, in an analysis of evaluation of accounting information about
bankrupt companies, found that ‘hindsight bias can exist in a financial reporting
arena’. 68 The literature on corporate collapse echoes these themes.

Corporate regulation

The corporate failures which followed the stock market crash in October 1987
underlined the need to improve corporate regulation, and it was accorded greater
rhetorical importance. The costs attributed to these collapses were a heavy burden for
the Australian community. Despite the belief that white-collar crime costs Australia
much more that all other crime there are no accurate figures to show the cost. Data
are collected by a number of different agencies, many of which use different
analytical methods and definitions. 69

By the end of the 1980s the failure to control apparently deviant corporate
excesses was reported to have undermined Australia’s international corporate
credibility and foreign investment was jeopardised by ‘the shambles in company
regulation and a perceived failure to bring corporate cowboys to heel’. 70 This rhetoric

Accounting, Organisations and Society 10, 3:274.
69 Grabosky, P. And Braithwaite, J. (1987) ‘Corporate crime in Australia Trends and Issues in crime and
Crime: Impact, Detection and Regulation’ Trends and Issues in crime and criminal justice No. 34/3/92, Canberra:
Issues in crime and criminal justice No. 74/11/97, Canberra: Australian Institute of Criminology.
70 AFR 23/4/90: 1.
was not new, however, Clarke et al demonstrate similar sentiments in the financial media after corporate collapses in the 1960s and 1970s.\textsuperscript{71}

The neo-liberal state occupies a contradictory position in corporate regulation. It must balance the provision of the social services necessary to maintain its own legitimacy against the need to support business, whose interests may conflict with social initiatives. The ideology of the ‘free market’ demands minimum state intervention; the corporate sector protests that many regulations are obstructive and too expensive.\textsuperscript{72} The liberal argument maintains that ‘legalistic narrowmindedness’ will impose unnecessary costs and impede ‘progress’.\textsuperscript{73} Tomasic cites Ogus’s extrapolation of Claus Offe that Western capitalist corporate regulation ‘was inherently incompatible with the preservation and fostering of private production and profit-making’.\textsuperscript{74} The state must maintain a fiscal and monetary policy which supports the social infrastructure, but it must ensure that taxation remains at a level which does not inhibit business and which the public accepts.\textsuperscript{75} The corporate sector is particularly concerned about levels of taxation and about means of avoiding taxes. Consistent with its neo-liberal ideology the state is not always eager to enforce corporate regulation or to redefine corporate activities as deviant. The corporate sector has considerable input into the definition and control of corporate deviance. These issues are discussed more

\textsuperscript{73} Tomasic, R. (2001) ‘Governance and the evaluation of corporate law and regulation in Australia’ Corporate Governance 1,3: 24-32.
fully in the next chapter. The corporate sector and its interests, however, are not always clearly defined.

The notions of corporate sector and business community imply a clearly defined community with its own set of rules and regulations independent of the broader community in which its members live. The corporate sector does have its own community ethos. It is an ‘imagined community’, however, with no clearly defined community membership or any sort of definitive qualifications. Theoretically almost anyone can run a company. Despite a number of rules which loosely govern the behaviour of companies, there are no defined basic qualifications for company directors. They are not subject to any regular system of registration or legitimation. Although expertise may be required to attain certain positions within a company, there is no system governing who deals with what in that company. The corporate sector’s mirage-like quality fits well with the ephemeral quality of postmodern society. Many members of the new ‘leisure class’ who constituted Qintex’s target market have strong connections with this sector.

There are networks within the corporate community. The dominant network or ‘corporate establishment’ exhibits class for itself and class in itself elements. It protects its own interests and frequently excludes ‘outsiders’ or ‘would be’ entrants, such as the nouveau riche entrepreneurs of the 1980s. Skase saw himself as an outsider. He complained that the Melbourne ‘establishment’ did ‘…not readily warm to and embrace outsiders’: he ‘… copped the cold shoulder all over town …(and) was denigrat ed and isolated’.

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76 This is compared with Benedict Anderson’s concept of the nation as an ‘imagined political community’, following the phrases original use by Marx. Anderson, B. (1983) Imagined Communities London: Verso:15.
77 Skase cited in Age 25/7/87:2. SMH 25/7/87:1,4.
This ‘new elite’ was not socialised by the ‘established’ elite and it openly challenged ‘accepted’ corporate norms.\textsuperscript{78} It used a plethora of professional experts to circumvent these norms and create an appearance of conformity. It embraced ‘creative compliance’ and used ‘the law to escape legal control without actually violating rules’. This exploitation of the ‘structural manipulability’ of the law, raises broader questions about the literal interpretation of the law and its ‘declared objectives’.\textsuperscript{79} In so doing the ‘new elite’ exacerbated the ambiguity of corporate deviance definitions.

One attempted transaction, which neatly places Skase’s first corporate venture Team Securities and its directors outside the corporate establishment, and illustrates Mintz and Schwartz’s interpretation of financial hegemony,\textsuperscript{80} was Team’s abortive attempt (in 1977) to acquire Georges, the Melbourne establishment retailer. It acquired 16%, through Victoria Holdings, from Colonial Mutual but ...

... ran into board and other resistance. They misjudged political and other factors working in the Melbourne establishment and allowed Federal Insurance to snare ... 10% ... National Mutual, which held a further strategic holding ...

(also) sold out to Federation.

Team was facing head on the defensive operations of Melbourne’s old boy establishment network.\textsuperscript{81}

Qintex’s attempt to take over AWA represented a clash of corporate cultures. Skase and Qintex, representing the emerging culture of new money and new finance, were opposed by AWA and its second generation chairman John Hooke who had strong ties with the corporate establishment which supported his attempts to retain control of an established old company which was figuratively ‘on its last legs’. While


Qintex threatened AWA the establishment supported its ‘enshrined’ restrictive voting rights, on a sliding scale which discriminated against large shareholders. A more equitable voting system was introduced after Qintex sold its AWA holding.

The corporate class, both old and new, tends to support neo-liberal assumptions of a level playing field and minimum state intervention. It supports intervention which enforces regulations which it considers promotes economic activity. It opposes, or attempts to circumscribe, unacceptable legislation; frequently ridiculing it as economically unsound policy. Instead of defined corporate legislation the business sector prefers to set standards which are based on the mirage of a shifting imagined community, with notions of ‘ethical behaviour’ and ‘doing the right thing’, or ‘gentlemanly’ patterns of motivation and control. Concepts of ‘acceptable market practices’, however, are continually adapted or reconstructed, to cope with new and changing forms of capital accumulation. These ‘rules’ are supposed to obviate the necessity for too many clearly defined regulations.

There is little evidence to suggest that ‘rules’ have been strictly obeyed by the ‘establishment’. ‘Bending the rule’ has been considered sound business sense, and is overlooked if it does not affect confidence in the reputation of the market and its

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81 AFR 24/6/77:34.
83 Bosch defines ethical as ‘those generally applicable form of behaviour that create confidence in the markets and maintain the reputation of participants’. Bosch (1990):25.
86 The remark that ‘gentlemen did not attempt to take over each other’s companies’ illustrates the unspoken ‘rules’ that were supposed to govern corporate behaviour. Attributed to the chairman of British Aluminium in the late 1950s in Bosch (1990): 140. This perspective changed somewhat in the 1980s when takeovers were supposed to revive ‘failing or poorly managed industries’. Dezalay, Y (1995b) ‘Technological warfare: the battle to control the mergers and acquisitions market in Europe’ in Y. Dezalay and D. Sugarman (eds) (1995) *Professional Competition and Professional Poser* London Routledge:96.
participants.\(^{87}\) While ‘rule-bending’ stayed within tolerable limits and outside the public eye it was ignored, but when those limits were exceeded new regulations were introduced.\(^{88}\) Bosch argues that the emergence of a ‘new morality’ is the ‘unfortunate consequence’ of ‘rapid social change’.\(^{89}\) Mitchell \textit{et al.} argue that speculative finance capitalism has been accompanied by ‘an erosion of moral restraint and ‘gentlemanly conduct’ (so far as this ever existed).\(^{90}\) Tomasic argues that business people ‘do not regard themselves or their activities as criminal’, and therefore are not influenced by ‘the criminal law model’ because it does not relate to them.\(^{91}\)

The new entrepreneurs of the 1980s disregarded ‘accepted practices’. In their ‘enthusiasm for personal gain’ they pursued loopholes, and ignored ‘traditional business ethics’.\(^{92}\) ‘Smart’ business activity has centred around avoidance of legal accountability. Their high profile activities attracted attention from the general public and by association threatened the ‘reputation’ of the business sector. The outsiders’ overt manipulation of the unspoken ‘rules’ created a need for clearly defined centralised corporate regulation. This need can also been seen as a continuation of the ongoing competition between the ‘establishment’ and the ‘outsiders’ within the market.\(^{93}\) A form of regulatory chaos arose from the friction between the deregulation which accompanied innovative and aggressive postmodern finance capitalism on one hand and the need to regulated entrepreneurial activities in order to maintain legitimacy on the other hand.


\(^{88}\) This conforms with a broader pattern which Dezalay notes with respect to international tax avoidance.


\(^{91}\) \textit{Weekend Australian} 14-15/8/93:33.


Increased centralisation, and moves from peripheral State centres to more unified national centres were part of the corporate context in which Qintex rose and fell and part of the post modern corporate experience. Centralisation of the corporate sector allowed greater flexibility in the securities market. At the same time Skase was one of the 1980s entrepreneurs who sought a peripheral corporate base away from the central financial centres of Sydney and Melbourne. The establishment of the National Companies and Securities commission (NCSC) on 1 July 1981 and the amalgamation of the State-based Stock Exchanges to form the Australian Stock Exchange (ASX) on 1 April 1987 were as much an integral element of flexible accumulation as was financial deregulation.

Australian state involvement in corporate regulation is a postmodern phenomenon. Prior to the 1970s government played an ‘extremely limited’ role in corporate regulation, which was treated as ‘essentially a private affair – between the company, its officers, its shareholders and its creditors’.  

The shift to a more overt public form of regulation was stimulated by several well-publicised collapses in the 1960s and 1970s in Australia. Each series of collapses generated public criticism of corporate regulation. This move is consistent with Power’s argument that ‘large scale fraud’, and implicitly corporate collapses, generate new regulatory institutional structures. Power argues that perceptions of the efficacy of the financial monitoring function must be constantly reconstructed in response to criticism.

95 Such as Reid Murray, Stanhill and H.G.Palmer in the 1960s, and Minsec, and Cambridge Credit in the 1970s.
The visibility of the regulatory mechanism and the political processes involved in the development of apparent solutions to problems contribute to legitimation. It should also be noted here that, in another responsive move, the Australian Securities Commission (ASC) was established to replace the NCSC after the much-publicised corporate excesses of the 1980s. The ASC continued the investigation into Skase and the Qintex group which was initiated under the NCSC.

At this point it is pertinent to consider the ‘grey areas’ of corporate activity which are ‘potentially unregulateable’, and which are reflected in the operations of the NCSC in the 1980s. The allocation of responsibility for regulation and its enforcement can be complicated by issues of how it is articulated.\textsuperscript{98} The boundaries between lawful and unlawful corporate activity are frequently hazy. The labelling process is not always clear. Some transactions may extend beyond the legal/illega boundary. Concomitantly the boundary is susceptible to manipulation. Both regulators, who apply labels which determine legality and those being regulated, who ‘actively take the legal initiative … (and) definitively label their activities legitimate’, can actively influence the labelling process to establish legality. Thus, as mentioned below, the NCSC exercised its discretion about when and to whom it applied its powers. McBarnet argues that the boundaries between the legal and illegal frequently depend on interpretation and disclosure. A range of techniques of ‘non-disclosing disclosure’ can obscure the relevance of significant information: that is, \textit{who} does \textit{what} and \textit{how} and \textit{when}.\textsuperscript{99} This is reflected in Qintex’s use of creative accounting. Counsel’s opinion and opinion shopping contribute to legitimation, Qintex cited an extremely dubious counsel's opinion when it exceeded television audience reach limits in 1988/89.

Control of corporate regulation becomes a contested area. Dezalay argues that different professional groups, usually in law and accounting, compete to control corporate regulation.\footnote{Dezalay, Y. (1993) ‘Professional competition and the social construction of transnational regulatory expertise’ in J. McCahery, S. Picciotto, and C. Scott (eds) (1993) Corporate Control and Accountability Changing Structures and the Dynamics of Regulation Oxford :Clarendon Press :203.} Both groups controlled the NCSC; it was ‘captured’ by the corporate sector, which included lawyers and accountants as company directors.\footnote{The corporate sector’s input into its own regulation stands in stark contrast to way in which ‘street deviance’ is subject to ever-expanding definitions. Cohen, S. (1985) Visions of Social Control, Cambridge: Polity Press :60.} Its establishment as an ‘independent Commission’ was intended to distance it from the vagaries of political influence, and keep it independent of overt political control, or direction. This was affirmed by its first chairman (1981-85), Leigh Masel, a lawyer, who considered that corporate regulation should foster a well informed securities market and protect investors, claiming,

[a] need to temper the power and efficiency of free market forces with notions of fairness, justice and a degree of economic equality.\footnote{Leigh Masel, cited in Age 3/6/81: 21. See also Age 23/6/81:29.}

The 1980s was a transition period for Australian corporate regulation.\footnote{At all times this has remained a cumbersome mixture of state, and professional self-, regulation, with regulatory bodies operating through both civil and criminal legal systems using both State and Federal courts.} It had a haphazard postmodern nature. Zervos\footnote{Zervos, K (1991) ‘Responding to fraud in the 1990s’ accessed at www.aic.giv.au. Originally published Grabosky, P. (ed) (1992) Proceedings of Complex Commercial Conference 20-23/8/91 Canberra: Australian Institute of Criminology (AIC Conference Proceedings No.10):199-209.} argues that too many rules and regulations were administered by too many bodies from different jurisdictions with their own sets of requirements. There was no systemic central authority. There was an almost total lack of coordination and cooperation between the various regulatory bodies. Livermore argues that:

Investigations were initiated by many different organisations or agencies. Each agency had its own agenda with different powers including those necessary to compulsorily require the production of documents.\textsuperscript{106} There was no single overall coordinating regulatory body. There was very little coordination of investigation activities between different agencies in the 1980s. The National Crimes Authority (NCA), established in 1984, preferred drug related investigations over complex fraud. Due to the complexities of complex fraud the Authority ‘felt it had neither the responsibility nor the powers or expertise to effectively investigate the matter.’\textsuperscript{107} Many of these were never adequately investigated.

The NCSC began operations four months before the Campbell report was tabled in Federal parliament. Whitehouse argues that it was a ‘transitional institution’ in the ‘deregulated environment’ of the 1980s. Its formation was an Australian constitutional innovation, and as such it suffered from the difficulties which Tomasic argues are associated with deviation from the established constitutional framework, which defined corporate regulation as each individual State’s responsibility.\textsuperscript{108} It was intended to guarantee a fair and efficient market in an increasing liberal environment. It had the potentially conflicting purpose of protecting individual investors while encouraging economic efficiency.\textsuperscript{109} It was intended to oversee and centralise traditional, and constitutional, individual State-based regulation operating through individual State Corporate Affairs departments with independently administered Companies Codes. The States adopted uniform legislation and standardised Codes in the late 1970s.


\textsuperscript{107} Livermore, G.(199):7.

The NCSC was a ‘cooperative scheme’ directed by a Ministerial Council for Companies and Securities\textsuperscript{110} which met four times a year. It had, by 1986, three full-time and five part-time commissioners. Its primary objectives were increased market efficiency and protection of investors. It was responsible

… for the entire area of policy and administration with respect to company law and the regulation of the securities industry.\textsuperscript{111}

This responsibility extended to policymaking and law reform as well as administration, investigation and arbitration.

The 1980s entrepreneurs reached their prominence, and later failed, in a postmodern NCSC regulated environment. It was the ‘corporate watchdog’ during the Qintex group’s period of expansion. In practice the NCSC was structurally inadequate to cope with the corporate excesses of the 1980s. It was under-funded, short staffed, and restricted by divided control.\textsuperscript{112} These factors precluded its investigation of matters unless its attention was drawn to them with public labels, and limited its investigation to companies whose activities attracted attention. It could not prosecute or initiate actions; it had to delegate many functions to State agencies, and had to refer cases to the State body for prosecution.\textsuperscript{113} The manner in which it conducted its investigations and conducted public hearings were curtailed when


\textsuperscript{111} Composed of Commonwealth and State Attorneys-General.

\textsuperscript{112} Schedule of the National Companies and Securities Commission Act of 1979 cited Bosch: vii.

\textsuperscript{113} In addition to its routine costs the NCSC budget (1985 $6m, 1989-90 $7m) had to cover the Accounting Standards Review Board (ASRB) and the Companies and Securities law Review Committee (CSLRC). During his time as NCSC chief Henry Bosch unfavourably compared the NCSC’s $5m annual budget with that of the Canberra School Bus Authority. \textit{AFR} 17/5/93:19.

challenged in court. It could, however, intervene in civil actions once they had begun.

In a truly postmodern approach the NCSC monitored, and sometimes intervened in, the escalating takeover activity associated with flexible accumulation. It had the power to declare a takeover ‘unacceptable’ and also to override, or bend some regulations such as those relating to the compulsory acquisition of shares, if it considered they hampered otherwise efficient activities. The NCSC granted QAL a modification to the Takeover Code for the treatment Qintex America fully paid shares and the partly paid shares when QAL took over Qintex America (see Chapter 8, p 34). The ASX also monitored share trading with respect to takeovers and reported possible breaches of regulations to the NCSC. Mergers and Acquisitions ‘took-off’ in Australia in 1983-84, and reached their greatest asset value in 1987 ($11.1b). Unlike the US, however, most Australian takeovers were not funded by junk bonds. Most firms funded takeovers with in-house resources, or rights issues, or direct finance institution debt, or a combination of all three. Qintex started its acquisitions in the late 1970s and early 1980s, but acquired its major television assets from 1984 on. The NCSC did not use any overt, highly publicised investigations of the friendly Channel 0 and the 7 Network takeovers. There is no evidence that the NCSC intervened in Qintex’s attempted hostile takeovers of AWA or Telecasters North Queensland.

The NCSC’s second, and last chairman, Henry Bosch (1985-1990), was appointed in response to pressure from the business sector for ‘one of their own’. He adopted a distinctly postmodern stance when he ensured that regulation was not

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114 Age 22/11/83: 35,37.  
115 CM 20/3/90:27.
imposed on business but was ‘done for business … by business’. Seven of the eight commissioners were business people who maintained their contacts with the business sector. This contact was not limited to the Commissioners. The NCSC acted in some respects as a ‘peak’ business organisation. It had regular meetings with representatives from trade and professional bodies, often ‘at the highest level’. ¹¹⁷

The private sector also supported the NCSC financially to supplement its budget. It paid for meetings and functions, and subsidised overseas trips. Some employers subsidised the salaries of staff seconded to the NCSC. Some firms provided specialist services at ‘a very low rate’. ¹¹⁸ This support was accepted from those sections of the corporate sector which were considered to behave ‘ethically’. There is no evidence to suggest that Skase or Qintex ever provided any.

Consistent with the requirements of flexible accumulation the NCSC frequently used its ‘wide discretionary and policy formation powers in overseeing Australian corporate life and stock market activity’, ¹¹⁹ to further business interests, rather than to further what social democrats consider ‘public interest’. It had the power to grant exemptions from, or modifications to, the law, and could relax what it considered to be unduly tight, or unnecessary, restrictions. The NCSC waived rules and helped reduce business costs where possible, in the name of ‘increased market efficiency’.

These discretionary powers were applied particularly to companies which it perceived as operating ‘ethically’. Regulations were applied when considered necessary to curtail ‘unethical’ behaviour or ‘unfair’ practices. At the same time

¹¹⁷ Bosch (1990): 12, 64.
¹¹⁸ Bosch (1990):45.
¹¹⁹ AFR 29/6/91:3.
Bosch’s confrontational style and his use of publicity and the application of labels to draw public attention to less acceptable operations angered sections of that community.  

In 1984 the Victorian Corporate Affairs Office investigated the allotment of Hardy Brothers shares, without any reported result. Despite Bosch’s use of publicity as an investigative tool, the NCSC was not reported to have investigated any other Qintex dealing until it began its investigation into the much publicised payments of large sums of money for ‘management services’ to Qintex Group Management Services as soon as they became public knowledge, in late 1989. At the time Skase claimed that the management service fees had been disclosed for several years. This was extended to an investigation of the Qintex collapse which was continued later by the Australian Securities Commission (ASC).

In 1989 a new comprehensive Commonwealth Corporations Law was passed. The States also passed laws which transferred all responsibility for corporate regulation to the Commonwealth, after protracted negotiations between the individual States and the Commonwealth. Under these laws a new national body, the Commonwealth-controlled Australian Securities Commission was established. It commenced operation in 1991, replacing the NCSC and individual State agencies. The ASC planned to take ‘a pro-active role in its approach to corporate regulation’. Its stated aim is ‘to achieve maximum credibility of Australian corporations and securities markets’. Its first Chairman was Tony Hartnell, a senior partner of the law firm Allen Allen and Hemsley. It continued investigations begun under the NCSC, but it

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120 AFR Magazine 9/7/86:5-7.
121 Menzies 1991.
moved to a policy which favours civil action, with lower standards of proof including self-incriminating statements, over criminal procedures. Under the ASC Act in 1991 a three-man an independent tribunal the Companies Auditors and Liquidators Disciplinary Board (CALDB) was set up.\(^{123}\)

The government increased the NCSC’s budget in 1990-91 to allow more investigation of the collapses on the 1980s. This gave the new ASC a bigger budget than its predecessor, which allowed it to adopt 16 priority investigations, one of which was the Qintex group \(^{124}\)

The ASC completed an investigation into Qintex in 1992. It laid a total of 34 charges against Skase. Two charges laid in 1991 alleged misuse of his position as a Qintex group director to obtain over $19m for himself and his personal company (Kahmea). The ASC added 32 more charges against Skase in 1992. Most related to Skase's alleged improper use of his position as an officer of IPH Finance Pty Ltd in authorising various payments to QGMS to gain an advantage for Kahmea Investments.\(^{125}\)

They claim the misuse of a total of $7.5m. One charge alleges that in late 1989, just before Qintex crashed, Skase ‘supplied and authorised, the supply of false information’ to the directors of QAL concerning the financial relationship between QGMS and QAL and that he dishonestly authorised the payment of $2.85m to QGMS by IPH Finance ‘with intent to defraud IPH Finance’, while an officer of that company. Twenty-eight of the charges allege that between July 1988 and October

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\(^{123}\) *Australian* 22/9/94:34.  
\(^{124}\) *CM* 27/8/90:27.  
1989 Skase improperly used his position to authorise a series of (sometimes more than monthly) payments between $1479.18 and $2.85m to QGMS by IPH Finance.\textsuperscript{126}

In July 1991 the ASC charged Richard Capps, former Qintex treasurer with two breaches of Section 129 of the Companies Code\textsuperscript{127} relating to the use of $9.1m of QAL funds to buy shares in itself. Capps later pleaded guilty to these charges, and was sentenced, but the judge did not record a conviction.

Inadequate corporate regulation was compounded by ambiguous or conflicting sets of accounting standards. This is part of that aspect of corporate regulation is provided by the accounting profession. Corporate regulation depends to some extent on the information provided by a company’s accounts which include a ‘true and fair’ audit. At this point it is pertinent to consider accounting’s role in corporate regulation.

\textbf{The role of accounting}

Accounting provides ‘an interface between the growing agencies of the state and business enterprises’.\textsuperscript{128} Its ‘data are reasonably expected to reflect financial reality in its legal, social and political contexts’.\textsuperscript{129} It has a crucial role in the detection and possible prevention of corporate failure.

By claiming expertise in (finance) fields, accountants secure niches and monopolies for themselves as they seek to act as agents of surveillance for the state.\textsuperscript{130}

Two aspects of accounting’s contribution to the creation of corporate mirages are discussed below. The first, at the macro-analytical level, deals with major positions

\begin{itemize}
\item \textsuperscript{127} This forbids a company financing the purchase of shares in itself. A breach of this section carries a maximum penalty of $10,000 or two years' imprisonment or both.
\item \textsuperscript{130} Mitchell, A., Sikka, P. and Willmott, H. (1998) ‘Sweeping it under the carpet: the role of accountancy firms in moneylaundering’ \textit{Accounting, Organisations and Society} 23: 593.
\end{itemize}
within the profession, including its projected image of objectivity which portrays it as dealing with facts ‘untainted by social values or ideology’, and its position vis-a-vis the state. The second, at a micro-analytical level, relates more directly to actual accounting practices in corporate reporting. A discussion of some general aspects of accounting at a macro-level which forms part of the context in which the Qintex mirage developed, is followed by a discussion at a micro-level with more specific references to Qintex and Skase.

Accounting made a definite contribution to the corporate environment of the 1980s. This includes the rationalisation and legitimisation of corporate regulation which allowed the Qintex mirage to develop. The Qintex mirage was one of several entrepreneurial groups which collapsed at the end of the 1980s which had regularly, not only passed their annual audit without qualification, but also declared a good profit. Skase used ‘legitimate’ accounts to create an illusion of profits without a sound financial base: several years of apparently successful reports disguised unsuccessful operations. Accounting failed ‘to inform adequately, and in a timely fashion, … the drift of the financial affairs of businesses towards impending failure’.

Historically accounting’s role as a corporate ‘watchdog’ has assumed increasing importance with the separation of management from ownership. This separation did not apply to many of the 1980s entrepreneurs who bolstered managerial control with voting control. Skase controlled over 50% of Qintex Ltd. He was at the top of a pyramid in which each level had absolute control (over 50%) of the companies in the level below. This gave him more direct control over what went into

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those companies’ books. At the same time they retained the image of separation, which supported the ‘veracity’ of their audited accounts.

Accounting monopolises auditing. The notion of a ‘true and fair’ audit places it in the van of corporate regulation. Implicit in the ‘true and fair’ notion is the auditor’s reasonable opinion of the company’s viability for the next year. The ‘public watchdog’ concept gives the profession increasing access to information and knowledge, and allows it to contribute to the definition of accounting regulation.

Ambiguities about auditors’ liability challenge the ‘public watchdog’ representation. Auditors have a degree of latitude about what matters should be reported to regulators. There is some debate about the exact interpretation of the ‘true and fair’. McGee describes ‘three possible views about (its) content’.133

In a market oriented society accounting firms compete with each other for audit work, and in the 1980s this encouraged them to take ‘business risks’.134 The exigencies of commercial reality mean that as accountants offer companies a wide range of services, auditors assume a primary responsibility to their clients, who are usually those who control the company, those who hire and fire them and purchase other services.135 ‘He who pays the piper calls the tune’. Kapardis and Kapardis note that an accounting firm may be labelled and lose clients if it acquires a reputation for reporting deviant companies.136 There is no law against opinion shopping. Any company, and those controlling it, can seek several opinions and change auditors if it

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is not happy with the way accounts are represented. One side effect of opinion
shopping in the 1980s was an ‘easing of auditing standards’ so that accounting firms
could offer competitive fees. Qintex Ltd invited several firms to tender for its
accounts after Deloitte Haskins & Sells had qualified its books. The tenderers were
all given a copy of the suspect accounts and invited to give their opinion. One firm,
Touche Ross, declined the invitation to tender.

Accountants have been criticised for a lack of ‘due care’ in their audits.
Several ‘Big Firms’ were sued with respect to audits undertaken for Australia’s failed
companies in the 1980s; most settled out of court for undisclosed amounts. Some
firms have adopted defensive measures such as KPMG which incorporated its client
company practice, and thus limited its liability.

Discussion of at the macro level has centred around accounting’s ideological
function, which articulates ‘a set of beliefs and techniques, to link actions and
values’, and its role in the legitimation of the state. Qintex expanded because the
legitimated state intervened first with financial deregulation discussed in Chapter 1
and later with legislation at State and federal levels which allowed expansion in the
tourism and media industries.

Australia: criminology’s lesson in non-compliance’ *Australian and New Zealand Journal of Criminology* 28, 2:
137 Grice, R. (1993) Then president of the ICCA Address to Chartered Accountants Symposium, Sheraton Towers
Southgate, April 1-2 in Keynote Session 2 ‘The Profession and the Regulators’, the Institute of Chartered
138 Other firms which submitted tenders were Coopers and Lybrand, and Pannell Kerr and Forster. *Australian
4:341.
Accounting thought corresponds with Harvey’s concept of postmodern flexibility\(^\text{141}\) in that it is flexible and influenced by a range of social, legal and economic factors. It is ‘malleable, adaptive and … socially relative’,\(^\text{142}\) and supports change. Changing rules reflect changes within the social system and changing roles and concerns of policy makers, particularly their own legitimacy. Burchell \textit{et al.}, Richardson, and Tinker analyse ways in which accounting is embedded in modern industrial society’s institutions. Accounting shapes and is shaped by organisational structures.\(^\text{143}\) ‘Accounting conventions and rules arbitrate and resolve conflict over’ a range of financial matters.\(^\text{144}\) Accounting data have broad applications in both private and public sectors, and inform most ‘patterns of power and influence’, including policy design and implementation.\(^\text{145}\) The questions asked, however, determine those data. A process of inclusion/exclusion of data creates specific forms of knowledge.\(^\text{146}\) Lehman and Tinker argue that accounting discourse is an ‘ideological weapon’ which reflects changes in ‘the evolving hegemonic climate’.\(^\text{147}\) It reinforces ‘immutable, efficient and … effective’\(^\text{148}\) social arrangements.

Accounting legitimates some activities and rationalises others, so that it reinforces elite power and contributes to a capitalist elite hegemony.\(^\text{149}\) In order to do so accounting’s flexibility has allowed it to adapt to the new demands of postmodern flexible accumulation and finance capital. It stems from this that accounting made a strong and definite contribution to the corporate environment of the 1980s, including

\(^{142}\) Tinker (1985): 84, 106.
\(^{144}\) Tinker (1985): 105.
\(^{146}\) Loft, A (1986): 140.
the rationalisation and legitimation of the sort of postmodern flexible corporate regulation, which allowed the Qintex mirage to develop.

Accounting conceals its ideological function beneath a ‘mask of apparent objectivity and independence’. It has assumed the dominant capitalist economic ideology and supports ‘particular interest groups in society’.\textsuperscript{150} Tinker \textit{et al.} develop the argument that ‘current accounting literature’ and research support this position. Accounting literature supports the state’s authority, and it reflects changes in social ideology.\textsuperscript{151}

Accounting disguises its flexibility and supports its image of impartiality, objectivity and neutrality, ‘untainted by social values or ideology’, by appearing to be a ‘technical matter’ which deals with facts. It avoids subjective questions; it treats data as ‘asocial products’ which represent ‘objective’ market prices. A body of ‘academic and professional theorizing’, which emphasises microeconomic concerns disseminates this attitude. ‘Accounting students are taught to conflate appearance with reality’.\textsuperscript{152} This rationality originates from the manner in which accounting is embedded in neo-liberal economic rationalist ideology, which includes a liberal emphasis on individualism which suppresses considerations of class.\textsuperscript{153}

This impartial image allowed A.B. McMullin, a partner in Wallace McMullin and Smail (later Duesbury’s), to impartially hold a ‘different view’\textsuperscript{154} on Deloitte Haskins & Sells’ qualification of Qintex Ltd’s 1981/82 Annual Report which overstated its Consolidated Operating Profit with respect to the sale of its wholly-


\textsuperscript{154} Australian Broadcasting Tribunal (1985a):108.
owned subsidiary, Lustre Jewellery Ltd.\textsuperscript{155} Wallace McMullin and Smail became Qintex’s auditor in 1982-83, and its audits, consistently without qualification, legitimated the company’s apparent financial status which allowed Qintex to flourish and helped create the group's mirage, until its collapse in 1989.

Accounting is not politically neutral. Cooper and Sherer’s argument, which is placed in the broader context of class relations in capitalist society, can be applied to the relations between a company and the segment of society in which it operates, and the relationships within a company which encompass its shareholders. The rhetoric which allocates priority to the interests of all shareholders, the owners of the company, obscures a bias towards particular groups of shareholders, or towards the management of a company at the expense of the shareholders. Cooper and Sherer argue that it manifests reproductions ‘of a specific social and political context’ for the benefit of ‘particular sections of society’.\textsuperscript{156} It avoids any suggestion that it affects ‘distribution of income within and among classes’. It reconciles social conflict and collaborates in ‘in the expropriation of the life experiences of others’.\textsuperscript{157} It demonstrates a class bias and preferential treatment of sectional interests, particularly the financial sector.\textsuperscript{158}

Harvey argues that there has been a postmodern enlargement of the \textit{petite bourgeoisie} in some areas,\textsuperscript{159} which is consistent with Marx’s prediction of temporary \textit{petite bourgeoisie} expansions. While accountants are not \textit{petit bourgeois} in the technical sense the number of small accounting practices that are mostly competing

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\textsuperscript{155} Qintex Ltd Annual Report 1981:17.  \\
\textsuperscript{156} Cooper, D. and Sherer, M.J. (1984) : 208.  \\
\textsuperscript{157} Tinker (1985): xvi, 81.  \\
\textsuperscript{158} Cooper, D.J. and M.J. Shearer (1984):224. They cite an unpublished paper by Lowe, E.A. Cooper, D. & Puxty, A.G. (1981) ‘The accountancy profession, capital and the state’. Any consideration of the broader social and political impact, and social consequences, of accounts raised by these writers is outside the parameters of this thesis.  \\
\textsuperscript{159} Harvey: 185.
\end{flushright}
for the middle and bottom of the accounting market, has increased markedly in the postmodern era. Qintex took advantage of this by replacing a large firm with international connections, Deloitte Haskins and Sells with the relatively small Australian accounting firm, Wallace McMullin and Smail, which did not have any of the large establishment firms among its clientele, but which had aspirations to be bigger.  

Corporations law requires companies to have regular audits, and most published accounts are prepared in accordance with professional accounting standards. Qintex capitalised on the obscure accounting standards and multiple interpretations which devolved from the high levels of self-regulation that the large international firms’ dominant position has allowed within the profession. Allied to professional self-regulation is increased mystification of the professional process. Obscure standards are open to multiple interpretations, and so become more embedded in professional knowledge. At the same time the profession helps to define corporate reporting requirements. Accountants create problems which only accountants can solve, and to complicate the issue any one problem can have several possible solutions. Tomasic and Bottomley note that accountants ‘role has been to negotiate systemic uncertainties in the law for the benefit of their clients’. Corporate annual reports are becoming increasingly complex and almost impossible for the ‘average private investor’ to understand.

The state, however, as part of its legitimation process presents an image that it limits the profession’s autonomy. Suggestions that the state may actively involve

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161 Corporations law has different requirements for public and private companies.
itself ‘in the development of accounting practices’,\textsuperscript{165} are not always clear from the Australian experience. The profession has hampered the state’s role in regulating accounting to retain a strong element of self-regulation. It has consistently resisted suggestions that accounting standards are unsatisfactory and that it should establish better ones. The Institute of Chartered Accountants in Australia (ICAA) and the Australian Society of Accountants (ASA) jointly established the dominant Accounting Standards operating in Australia in the 1980s, and they monitored compliance with the standards, but did not impose sanctions for non-compliance.\textsuperscript{166} They could not prevent the use of other standards. McMullin said that the standards set down by the Australian Accounting Research Foundation (AARF), which it used to audit Qintex’s books, ‘would be parallel ... but .. not necessarily the same’, as the dominant Australian Accounting Standards.\textsuperscript{167}

The very public blame that followed the Qintex collapse was aimed at Skase’s mirage and his activities, and the lack of adequate corporate regulation. It was not directed against the accounting profession or the accounting standards which frequently assisted his activities. At the Australian Broadcasting Tribunal inquiry into Qintex’s acquisition of TV0 Brisbane the counsel assisting the Tribunal was concerned with Qintex’s non-compliance with accepted standards rather than with those standards themselves.\textsuperscript{168}

Arguments that accounting practices and standards themselves need ‘systemic … changes’ have been diverted to a concern for ‘non-compliance’ with those same standards. Several inquiries which followed corporate collapses in the last four decades have been deflected in this way. The NSW government sponsored the Accounting Standards Review Committee, chaired by Professor R. J. Chambers, following the collapses in the 1970s. This Committee criticised the existing system,

\textsuperscript{166} These are Australia’s two major professional accounting bodies. Walker, R.G. (1987) ‘Australia’s ASRB. A case study of political activity and regulatory “capture”’. \textit{Accounting and Business Research} 17, 67”:269.
\textsuperscript{167} McMullen in evidence Australian Broadcasting Tribunal (1985a):156.
\textsuperscript{168} See Robson, Australian Broadcasting Tribunal (1985a): 157-159.
but the profession successfully opposed the NSW Attorney General’s attempts at state intervention, and redirected the matter to a primary concern for non-compliance with standards, which, it argued, was both deviant and a major problem.169

Australian Accounting Standards had a postmodern aspect in the 1980s. They embraced the concept of the ‘quick fix’ and ‘ad hoc, one-off’ solutions.170 Solutions were devised for particular irregularities on a case by case basis. Deal driven entrepreneurs, cutting corners and avoiding the ‘spirit’ of established standards, created new problems which were dealt with individually.

The Ministerial Council established the Accounting Standards Review Board (ASRB) to review existing standards in January 1984. The ASRB, like the NCSC, was under-funded, and had no power to enforce its priorities. Professional accounting bodies rigidly opposed state intervention,171 and argued for professional control over determination of standards. The state attempted to retain control of the review process arguing that:

the status and income of the profession would, effectively, be accorded statutory protection without any corresponding requirement for public reporting and accountability by that profession.172

The ASRB wanted to redraft existing standards to conform with the Companies Act and Codes and ensure their enforceability.173 It argued that the existing standards were too imprecise: they contained excessive ‘recommendations’, and did not stipulate compulsory standards. Walker demonstrates how the professional bodies all contrived to subvert the ASRB’s aims and priorities.174

174  These were Institute of Chartered Accountants of Australia (ICAA), the Australian Society of Accountants (ASA), and their jointly funded Australian Accounting Research Foundation (AARF). Walker, (1987) :269-286.
Related Party Transactions (RPTs) were an integral element of Skase’s established expansion pattern, and he exploited the then relatively uncontrolled area. Assets were frequently transferred from an existing Qintex group company to a newly acquired cash rich company allowing much-needed cash injection into the group. Although the dominant accounting standards advised auditors to consider their possible impact on financial statements, as Deloittes did with Qintex Ltd in 1981, neither had considered RPTs in their standards bodies. Stock Exchange Listing Rules called for RPT disclosures, but were vague about specifics.175

In June 1982 the NCSC proposed a review of company disclosure requirements (Schedule 7) intending to include disclosure of RPTs. Professional accounting bodies opposed the review, and argued against the proposed additions to standards. Several years of discussion and debate followed the Commonwealth Attorney General’s Department’s release of a draft of Schedule 7 in December 1985, with accounting bodies insisting that they control standards. Their representations were accepted finally and the RPT disclosure requirements were deleted in a revised Schedule 7 gazetted in August 1986. In June 1988 the professional bodies gazetted AAS22, a standard on RPTs with the rider that compliance with all requirements in AAS22 was not compulsory. In December 1989, seven years after it was mooted ASRB 1017, which included reduced RPT disclosure requirements was approved as an accounting standard on the NCSC recommendation. The accounting profession had successfully ‘reduc[ed] professional responsibilities and water[ed] down the impact of regulations which … might be unpopular with clients’.176 Neither AAS 22

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nor ASRB 1017 would have required disclosure of the dollar value of the $42m ‘fees’ paid to Skase controlled Qintex Group Management Services in 1988-89.177

The concept of different accountings is pertinent to the flexible demands of postmodern capital accumulation and finance capitalism. The changing economic environment has created a multitude of different accountings based on data which may ‘fall outside the rules and definitions constituting the traditional accounting system’, and which may sacrifice attributes such as objectivity and verifiability. Full disclosure may require several sets of data collated under their own sets of rules.178 Birnberg extends Schrader’s argument that ‘a whole array of accountings’ has evolved each ‘dealing with’ a particular set of data according to rules specific to that set. He bases his argument, however, on the presupposition that ‘traditional accounting’ is objective and that it gives a reliable picture of ‘the current state of the assets’. He does not consider how ‘traditional’ accounting techniques can be manipulated, nor does he consider that more innovative accounting techniques can be used to distort ‘the current state of the assets’. This aspect is discussed below with the concept of creative accounting.

Over a three-year period prior to failure (1987-89 inclusive) a significant number of failed companies used favourable discretionary accounting policy changes (DACPs) which increased their apparent asset value or income.179 Conventional audited accounts sometimes convey a false picture.180 Even strict adherence to Accounting Standards may obscure the position with or without intent. ‘Legitimate

loss’, due to external factors or bad management, is often indistinguishable from loss due to deviant activities. This distorted picture may arise from ‘creative accounting’ or from ‘generic defects’ in conventional standards, both of which are discussed below.

The Sydney Morning Herald conducted a survey of company tax payments in 1988, which raised doubts about the veracity of income levels reported to shareholders. It showed that the average tax rate for the top 150 companies, by market capitalisation, was 26.7c in the dollar. The Qintex group was among ten businesses which paid much less tax and did not pay franked dividends. This suggests that profits reported to shareholders were a mirage, created creatively without creating any increase in tax debt.181

There is a range of definitions of creative accounting. Most assume intent to deceive, albeit within legal parameters. Some definitions assume that conventional standards are satisfactory and define creative accounting in terms of deviance. Bosch defines it in terms of deliberate deviation from, and/or manipulation of, accepted accounting standards.182 A former executive alleges that Skase ‘tickled the peter’- that he instigated accounting adjustments which did not conform with accepted accounting Standards.183 Others define it in terms of the us of, or manipulation of, accepted Standards. Argenti, argues that ‘accountancy is a somewhat flexible set of rules’, and defines creative accounting as ‘a defence mechanism’ designed to deliberately disguise the true state of a company’s affairs.184 Jameson defines it as

181 SMH  22/10/88: 1,41,46.
183 Anonymous 2.
‘rule bending and loophole seeking’ to give different results from those intended by the rules.185

Clarke et al. adopt a broader perspective. They distinguish between ‘accounting creativity’ that can stem from ‘strict compliance’ with the Standards, and ‘feral accounting’ the use of a specific accounting practice with intention to mislead.186 They argue that ‘accounting is not geared to reflect’ the ‘adverse drift’ of a company’s financial affairs.187 They argue that conventional Standards incorporate ‘generic defects’, and strict adherence can obscure a firm or group’s financial position: ‘the balance sheet is not a statement of net worth’. They suggest ‘that existing regulations - in particular current account prescriptions- contribute to the collapse of many companies being so unexpected’.188 This argument echoes that of McBarnet and Wheeler concerning ‘creative compliance’, and the legal exploitation of ‘loopholes’ in the law.

Legitimate items which can obscure results, most of which were used by Qintex, include:189

* Transactions between related companies, often ‘round robin’ transactions. the Qintex group repeatedly transferred assets within the group. Capps, the group treasurer, said that:

[w]hen monies [flew] from one of the 189 group entities to another of the 189 group entities [they] adopted the fairly disciplined system that the money would not go direct [sic] from the origin of the funds to the ultimate beneficiary of the funds or the borrower of the funds: they would first go up the parental chain of the lender and they would then come down

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186 Some examples of feral accounting are the use of ‘internal bills of exchange to represent inter-company debts’ used by the defunct merchant bank Nagan Hand Ltd, and the ways in which the debts of chairman Laurie Connell to the failed merchant bank Rothwells Ltd were ‘removed’ and changed to ‘assets’ in journal entries. Tomasic (1991) cites the final report of Mr Justice Stewart’s Royal Commission into Nagan Hand and the special investigation report into Rothwells by M.J.McCusker QC.
189 This list includes items defined by Walker and by Clarke et al. (1997):22, 149. They also include Post balance date events and Terminology difficulties, particularly with respect to foreign held assets and transactions involving foreign exchange. I could not find direct evidence of either of these in the Qintex case study. See also Tinker (1985): 183-187.
the parental chain of the borrower, accordingly. If monies are being advance to support the operations or operating requirements of Lloyd’s Ships Holdings, those funds would be provided by Lloyd’s Ships Holdings’ parent company.  

**Changing accounting methods.** Qintex changed its accounting policies in 1981/82 in a way which precluded an accurate comparison between that year’s accounts and previous years.’ A discrepancy in QAL’s accounts concerning the source of its profit in 1987-88 ‘appeared to result from a change in accounting practices’.  

**Capitalisation of interest and charges, which are later ‘written off’**. Skase considered this to be a legitimate ‘alternative treatment’ to expenses.  

**Writing up intangibles.** Before balance date, 30 June 1984, the directors valued TV0s television licence at $37.5m (less than two months after Qintex had paid $34m for the television company, which had net assets valued at $4m).  

**Flexible consolidation.** Skase kept the Qintex group holding in Hardy Brothers (Group) Ltd, which consistently made a loss, below 50% so that it was never consolidated in the group accounts and did not hamper the image of a successful group that he tried to create.  

**Ordinary and extraordinary items.** Imbercliff Pty Ltd, a QAL subsidiary, reported a total loss of $11.3m (an operating loss of $1.4m after tax and minorities and a loss of $9.8m on extraordinary items) in its annual return on 7 April 1989. Skase, who was chairman at the time was unable to account for the extraordinary items which occasioned the loss, including $6m lost on ‘debts written off and … disposal of a subsidiary’, or $3.95m for ‘diminution in value of goodwill’.  

**Deferred sales and retirement of debt, and sales subject to options.** Qintex sold a number of assets outside the group subject to deferred payments. The sale of TV0 was subject to deferred payment, although Skase claimed that its proceeds reduced interest charges on the purchase of the Seven network.  

**Fiddling with accounting periods.** Changing IPH’s balance date in 1982, ‘to conform with Qintex Ltd’s’, gave Qintex more time to arrange for the intra-group transfer of assets. The group did not, however, consider it necessary to change the balance dates of PML and UTL, which were a month earlier than their parents’.  

**Formation expenditure being treated as an asset.** The group adopted a policy of capitalising and carrying forward all expenditure including initial establishment expenses.  

**Other types of expenses capitalised and then several years later written off to profit and loss as a ‘one-off’ charge.** A previous year’s property renovation provision became a $280,000 profit in 1982.  

**Ambiguous treatment of convertible notes as debt or equity.** Skase’s use of preference shares as an alternative to debt is discussed in the previous chapter.

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190 Richard Capps in evidence In the Matter of Lloyd’s Ships Holdings Pty Ltd Public Examination before Judge Miller in the Brisbane District Court No.539 of 1989, Transcript:58.
192 Australian Broadcasting Tribunal (1985a) : 519, 520-523.
193 The value of the licence does not include the value of the land, buildings and equipment associated with the company. Universal Telecasters Ltd Annual Report 1984/2, 19, 22.
• Questionable balance items, such as FITB. In 1978, Qintex Ltd’s auditors, Yarwood Vane & Co., qualified the annual report over doubts about the future benefit of ‘theoretical Future Tax Benefit ... charged with unrealised investment losses’.  

Qintex claimed FITBs from 1979 to 1985 (not 1983). The 7 network capitalised many of its programmes, and so increased the value of licences when new programmes were created. The Seven network reported a $42m profit in 1988 which had not included interest and tax payments, which "lowered the results dramatically".

The Seven network had established a pattern of increasing the value of its licences when new programs were created, but not amortising them through profit and loss statements. ‘The carrying costs of the television licences represented their acquisition costs to Qintex Television Ltd together with certain costs considered to be investment establishment costs’. The receivers restated the actual results for 1988 and 1989 to reveal the total level of program costs. Their report indicated that the Seven network had made only $5m operating profit in the 1988/89 financial year. The low profit followed excessive operating costs, and did not include interest payments for either the network’s external borrowings or interest paid on the funds borrowed to assemble the network. The network anticipated a loss of about $60m for the year 1989/90 after interest, depreciation and tax. QAL’s 1988 report had claimed contributions of $61m from media and entertainment operations but did not clearly specify whether this was before interest.

In the year to 31 July 1984 IPH’s wholly owned subsidiary, IPH Finance Pty Ltd, a $2 company, created provisions for $5m ($3m for research into corporate development and $2m for contingencies). The company which was consolidated into

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199 AFR 21/2/90:1,2.
201 AFR 21/2/90:1,2.
202 Age 19/2/90:17. AFR 21/2/90:1,2.
its parent’s books had a loss of $5,010,297. This gave it nil tax expenses. The company had about $20 in the bank and owed money on some commercial bills.203

Proliferation of the number of Accounting and Auditing Standards, and the auditor’s interpretation of them compound ‘generic defects’.204 Several different competing Standards were available in Australia in the 1980s. These included two mentioned above: the Australian Accounting Foundation Research Foundation Standards and the Accountancy Standards of the Institute of Chartered Accountants of Australia, which allowed conflicting interpretations of Qintex’s treatment of its Consolidated Operating Profit in 1981.205 An auditor’s interpretation and application of standards is subjective. As noted above, Wallace McMullin and Smail used a different policy than that which led to Deloitt’s qualification of Qintex accounts in 1981.

Auditors define the scope of any particular audit, setting out its parameters and ‘selecting the types of transactions to be looked at’. This includes a subjective estimation of the ‘reliability’ of internal controls in the company, and a subjective acceptance of the material provided by the company.206

The overriding requirement in financial disclosure … (in the 1980s) was that published accounts showed a “true and fair view” of the company’s state of affairs. How the accounts were prepared, whether they were in accord with the prescribed accounting standards were second order imperatives.207

Qintex had a policy of increasing the book value of its assets, assigning values at the directors’ discretion. Two examples are the revaluation of IPH assets, after

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203 In the Matter of Lloyd’s Ships Holdings Pty Ltd (1989): 137-142.
Qintex gained control of it, which produced a profit when sold two weeks later, and
the value assigned to TV0’s license, very soon after Qintex acquired the company.
Frequently the book value of assets is inflated unrelated to market fluctuations and
cannot be realised by their sale. Inflation, or undervaluation of assets values exploits
contradictory prescriptions for assigning asset values. Section 294(4) of the
Corporation Law requires directors to value assets within their current purchase cost.
Accounting Standards AASB 1010 requires the value to reflect their recoverable
amount. Conventional accounting practice allowed the book value of an asset to
reflect the sum of the cost of its acquisition plus post acquisition development costs,
irrespective of market value.208

Skase, like other entrepreneurs of the 1980s and those of previous decades,
exploited the complex labyrinthine structure of the corporate groups composed of
private and public companies to create their financial empires. The corporate group,
in both national and international forms, is an invention of the business community
and its legal and accounting advisers. Its invention predates the postmodern era but
its flexibility has proven a useful tool for postmodern capital accumulation. Skase’s
manipulation of the group form will be discussed after a brief outline of its character.

The corporate group has a distinct identity in ‘commercial reality’, but it is a
‘fictitious entity’ (my emphasis) in law without any legal identity. ‘Group assets’ and
‘group liabilities are a mirage. It is defined under Corporations Law ‘in terms of
itself’, but not ‘as an entity with specific financial, economic and social dimensions.’209
Each private and public company within the group has a separate legal identity. The
group cannot legally

… exercise property rights, sue or be sued, incur physical or financial damage or impose it on others; the (consolidated) statements contradict the legal, social and financial essence which their constituent corporations enjoy.  

The corporate group is ‘inherently difficult to regulate’. It has no consistent or established structure, but rather it can assume any shape or form. The business sector resists all attempts to limit its flexibility and thus control it. Its flexibility thwarts uninvited national and international state intervention into a business’s ‘internal affairs’. Hadden argues that its ‘development … creates the potential for a wide range of abuses’, including:

- Manipulation of control holdings.
- Misleading accounts
- Oppression of minority interests
- Avoidance of liability
- Avoidance of taxation and other regulations

Their ‘structures may be manipulated in order to avoid established controls and obligations’ with total disregard for the legitimate interests of external investors, or creditors or even the group’s host or home state.  

Several examples are given below of the ways in which Qintex group directors used the group structure to obscure movements of money.

QAL receiver John Allpass said that 'the Qintex group's financial affairs were unique' and there was a complicated relationship between QAL and other group entities, with 'a considerable amount of inter-company debt in the group'.  

It took his firm six months to unravel the complex inter-related group of about 180 companies and trusts from available books and records. The group’s accounting methods had tended to obscure the financial position of its various operations.

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Activities within Lloyds Ships Pty Ltd, a subsidiary of Queensland Merchant Holdings Ltd, controlled by QAL from mid-1987, give some indication of the ways in which the group, whose component companies frequently have common directors and management or control, has been a means of concealing many financial transactions. Solicitor Mark Hallet used a new computer program to help keep track of documents and data in Lloyds liquidator’s hearing.\textsuperscript{214} The Qintex group moved funds in and out of Lloyds Ships Pty Ltd\textsuperscript{215} without the knowledge of the company’s management who controlled its routine accounts: between January 1988 and October 1989 $5m passed through the company without Lloyds general manager’s (Newport’s) knowledge, including journal entries outside his authority.\textsuperscript{216} Lloyd’s Ships was ‘part of a cluster of companies whose financial accounts were consolidated and (Newport) took no part in the consolidating … That was done by accounting people at Qintex … the balance sheet would … change its form when it went through consolidation of accounts’\textsuperscript{217}

The general manager produced one balance sheet, and the auditors ordered a second one. Thus an amount of $539,000 paid to three directors, which did not come from Lloyd’s Ships but originated elsewhere, appeared in the balance sheet of the audited document for 1988-89, but did not appear in Lloyd’s Ships’ internal balance sheet.\textsuperscript{218}

Assets were shuffled between these companies through complicated related party transactions of dubious origin, frequently recording a profit and concealing losses and poor performance. The position was further obscured when the names of companies within the group were changed, perhaps several times a year; thus Qintex subsidiary Queensland Merchant Holding Ltd became Arbreau Ltd in 1989, after several other name changes.

\textsuperscript{214} 	extit{Sunday Mail} 23/9/90: 7.
\textsuperscript{215} The rather bizarre ownership of Queensland Merchant Holdings is discussed in Chapter 3.
\textsuperscript{216} Adrian Lee Newport in evidence \textit{In the Matter of Lloyd’s Ships Holdings Pty Ltd} : 4.
\textsuperscript{217} Newport in evidence \textit{In the Matter of Lloyd’s Ships Holdings Pty Ltd} : 275.
Groups with several non-wholly owned subsidiaries with minority shareholders can conceal conflict of interest and oppression of minorities. Directors who act in the interests of the parent group frequently conflict with the interests of individual companies and their independent shareholders. The transfer of assets between companies in the group may be difficult to trace and can be contrary to minority interests. Minorities may also be oppressed by ‘the liability of holding companies for the debts and obligations of other companies in a group’. QAL directors made it responsible for some of the debts of its 34% owned subsidiary QEI. Large sums of money were transferred to USA to keep QEI afloat. QEI filed for Chapter 11 bankruptcy when this funding was suspended. QAL’s actions were contrary to the interest of minority shareholders in both companies.

The accounts of a group of related companies and their subsidiaries are aggregated into a ‘fictitious entity’ through consolidation, so that it circumvents the ‘separate legal entity principle’ of individual incorporation. The consolidation of the accounts of subsidiaries and associated companies takes place under specific rules according to the size of the holding in a subsidiary. In the 1980s, as part of a rationalisation/deregulation program approved by the NCSC under Henry Bosch, parent companies were relieved of their obligations to provide separate accounts and audited reports for their wholly-owned subsidiaries, provided cross guarantee agreements were in place between parent and subsidiary companies. These guarantees did not included a wholly-owned subsidiary guaranteeing the debts of other subsidiaries within the group. Individual wholly-owned subsidiaries did not

218 Smith in cross examination and Newport in evidence In the Matter of Lloyd’s Ships Holdings Pty Ltd :274-275.
have to prepare separate audited accounts providing the directors provided the
necessary binding guarantees, and provided that the holding company’s directors’
statement (under the then s 269 (10)) included a positive ‘liquidity or solvency
assessment … that the guarantor company … will be able to meet any obligations or
liabilities to which it is, or may become, subject by virtue of the deed’. Interested
persons had to depend on the accounts of the holding company for details of wholly-
owned subsidiary accounts, including security for its debts.

Theoretically consolidation lifts the ‘veil of incorporation’ to produce ‘more
accurate’ and ‘more meaningful’ information. Clarke and Dean, however argue that
the holding company - subsidiary company structure has
facilitated deception rather than preventing it and has been a
means exploited in many of the major Australian corporate
collapses since the 1960s.

Skase exploited the consolidation rules. The Qintex pyramid included a large
number of wholly-owned proprietary subsidiaries at each level of the pyramid, which
held all the group’s assets. Their accounts were consolidated into those of their
publicly listed 53% owned parent. The parent’s accounts were then consolidated into
those of the parent above it on the pyramid, QAL, whose accounts were further
consolidated into those of Qintex Ltd, which held 53% of QAL. Skase manipulated
the rules with respect to the group’s holding in Qintex America. Qintex America
(formerly Hardy Brothers) was not consolidated from 1982 to 1986 because its parent,
first Qintex Ltd then QAL (IPH), held less than 50% of its share capital, although
Skase himself had a personal holding in Qintex America and thus controlled over
50%. The company recorded a loss each of those years which was not consolidated.

Accounting rules at the time allowed the holding company to equity account its share of the profit; but holding companies did not have to consolidate all the debt on the balance sheet. Tracking down the total debt of all the companies associated with Qintex, for instance, became exceedingly complex, as the debt could be camouflaged while the profits were highlighted. These accounting techniques could be used to dress up the books.²²³

Corporate group structures and consolidated accounting have taxation advantages, but they can also conceal financial deception. They have consistently misled the public, with and without intent, and frequently concealed corporate misconduct. Consolidated accounting legitimates ‘the financial consequences of group transactions’ without query from the accounting profession or regulating bodies. Consolidation creates its own profit and loss data which do not appear in the constituent companies’ accounts.²²⁴ These data:

have been demonstrated to be fiction laden … and the history of corporate collapse shows them to have been a vehicle for deceit and distortion.²²⁵

Consolidated data, produced by an ‘aggregation-cum-elimination process’ impede a reliable evaluation of a group’s assets and solvency. Indications of the group’s financial security, such as debt-to-asset cover, asset backing, and gearing frequently differ from the combined figures of the individual companies. It eliminates ‘the financial impact of legally-binding transactions’. Some related company transactions are considered artificial, ‘not at “arm’s length” from the group point of view’.²²⁶ The consolidated income tax figures such as future tax benefit provision and deferred income tax allowance do not equal the sum of those for individual companies.²²⁷

This chapter analyses corporate collapses and corporate regulation in Australia in the 1980s, as it conforms with Harvey’s concept of ‘the condition of postmodernity’. Harvey’s notion of ‘time in advance of itself’ (see Chapter 1 p.22-23) is demonstrated with Skase’s activities. He was one of the flamboyant ‘new entrepreneurs’ of the 1980s. His dictatorial approach and lack of managerial experience contributed to his mirage’s collapse. The postmodern ‘new right’ Australian state’s *laissez-faire* approach to corporate regulation in the 1980s created the NCSC, an inadequate, under-funded, understaffed regulatory body. The role of accounting with its ‘just in time’ *ad hoc* solutions is explored, and to its role in corporate regulation is considered at both macro and micro levels. This concept of macro/micro analytical levels and postmodern themes is continued in the next chapter in relation to deviance.
Chapter Three

Deviance

This chapter analyses deviance theory in terms of postmodernism and the case study. This extends the theoretical base, and continues themes, such as the application of labels, and charismatic leadership discussed in previous chapters. It includes a review of the definition of corporate deviance vis a vis corporate crime. I discuss the application of labels, in terms of the group’s rise as well as its collapse, and I consider the state’s position with regard to the development and application of labels, and their policy implications.

Dimensions of Corporate Deviance

‘White-collar crime’ is ‘crime committed by a person of respectability and high social status in the course of his occupation’.1

In order to further interpret Skase’s Australian mirage I do not confine corporate deviance within the label ‘criminal’. I adopt Michael Clarke’s expanded definition of corporate deviance, which supplements ‘equivocally criminal’ activities with damage resulting from:

- incompetence, negligence, lack of training, lack of clarity in the rules, opportunism, technical infraction (and) sheer muddleheadedness.2

This encompasses not only the range of corporate activities which do not conform with accepted standards of corporate practice, but also those corporate activities which deviate from broader social norms, which are themselves contingent on social structure all of which increased under the effects of postmodern period flexible accumulation and fragmentation. It allows more comprehensive consideration of the

differences in definition of, and labels and sanctions applied to, white-collar deviance, as opposed to blue-collar deviance. When deviance contravenes a criminal code, it is labelled crime and is subject to legal sanctions. These definitions and sanctions are culturally specific. Crime *per se* depends on the ‘institutionalization of the principle of legality’, and notions of justice. Different societies with different perspectives, apply different labels. At the same time any given society may apply labels and sanctions unevenly to different individuals.

This is a broader definition of corporate deviance than those of Grabosky or Halstead. Grabosky explicitly excludes ‘individual acts committed for personal gain’ and limits corporate crime to offences:

committed by business and their employees or their agents *to further the legitimate purpose of the organisation* ... it is the notion of an act, defined as criminal, committed under the auspices of an organisation.

Halstead defines entrepreneurial crime as:

punishable acts which are committed by individuals in controlling positions within corporations, using the resources and power deriving from the corporate forma as a vehicle to achieve ends which benefit the entrepreneur personally.

I argue that unethical, immoral and illicit behaviour by corporations and their employees all cause loss or damage to a number of people. The use of definitions like those of Grabosky and Halstead applies narrow labels to particular activities and diverts attention from the broader social issues surrounding much corporate activity.

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In modern industrial capitalist societies relations of production and class position influence deviance definitions. The who, what, how, when, where, and why of corporate deviance depend on power structures. Deviant behaviour of the powerful is not always labelled crime. Norms appear to vary across different levels of society; what may be called ‘astute’ business practice in the suite may very well be defined as theft in the street. Ponsaers argues that

The archetype that’s associated with financial and economic crime is that of the respectable businessman who cuts corners every now and then.

The notion of ‘cutting corners’ is directly related to corporate deviance’s blurred edges, which distorts distinctions between licit and illicit activities. Cressey argues that ‘disrespect for authority of government and ... a disrespect for law and order’ are facets of possessive individualism. Hopkins argues that various aspects besides guilt and innocence influence the application of ‘criminal’ labels to individuals. Following Quinney’s approach he argues that power is a crucial factor and that the law reflects the interests of the powerful. The capitalist state, however, will criminalise corporate activities which threaten its legitimacy, or those which become highly visible and/or attract public condemnation.

Business culture and structure create a potentially criminogenic environment. Corporations provide a ‘cloak of invisibility’. Sutherland found similarities between ‘underworld’ culture and business’s ‘special culture’. Both groups show contempt

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for laws, which restrict their activities; both adopt the attitude that if a law or rule is inconvenient, ignore it. Business accepts law breaking which does not conflict with ‘its own special codes of behaviour’.\textsuperscript{13} Sharpe, with a structural functionalist approach similar to Merton’s, argues that corporations may be ‘structurally coercive’ in that they incite deviant behaviour among middle management attempting to accomplish the corporation’s goals.\textsuperscript{14} It should be noted, however, that if corporations are inherently criminogenic, public labels to that effect are not frequently applied. Free market concepts create a general popular consensus that business is law-abiding and only a few companies would be considered potentially criminogenic. This was supported by media attaching such labels as ‘boy millionaire’ to Skase during Qintex’s major expansion phase in the mid 1980s, without any suggestion that the group had deviant potential.

An organisation’s chief executive ‘sets (its) tone’; he determines ethical and business practices and standards.\textsuperscript{15} Skase built, and encouraged the development of, an organisation with inherent deviant features. This is consistent with Wheeler and Rothman’s\textsuperscript{16} concept of the ‘organisation as a weapon in white-collar crime’ which contributes to the invisibility and concealment. Since Sutherland defined ‘white-collar crime’ there has been considerable discussion in the literature focussed on the exact nature of white collar or corporate crime and/or deviance, which occur in

organisations, and their relationship (or non-relationship) to organised crime. While the ramifications of this are beyond the scope of this thesis, Skase’s organisation is a central feature. It grew during a period of weak corporate regulation in Australia. Such organisations have distinct corporate cultures, which are reinforced by the actions of their white-collar employees who, according to Katz’s argument, protect their autonomy and create a barrier between the group’s members and external norms and authority. When external authorities accept this it may encourage a ‘drift from legitimate’ activity to ‘illegitimate “cover-ups”’. Thus, for example, within any legitimate corporation creative accounting may overstep legitimate boundaries, without causing internal concern.

This environment led to Burden telling Putland that a proposed management ‘buy-out’ of Lloyd’s Ships had failed in ‘a discussion in the corridor’, on or about 10/11/89; this was not confirmed in writing. It was also the sort of culture, which allowed the peculiar ownership structure of Queensland Merchant Holdings (QMH) to develop. QMH was nominally a wholly owned QAL (formerly IPH) subsidiary, but was in fact 67% owned by a company in which Qintex executives held 82%. IPH acquired 33% (and management control) of QMH in 1986. QMH owned a boat building business (Lloyds Ships and Precision Marine) and an engineering operation. After IPH gained control QMH bought IPH’s Maroochydore shopping centre, resorts in the Whitsunday Passage, and a Seaworld Property Trust holding. In Mid 1987


19 Putland in evidence In the Matter of Lloyd’s Ships Holdings Pty Ltd Public Examination before Judge Miller in the Brisbane District Court No.539 of 1989, Transcript:367. See also Australian 23/11/89:18.
Imbercliffe Pty Ltd (owned 18% by QAL (formerly IPH) and 82% by QAL executives) acquired the remaining 66.7% of QMH, apparently offering QAL stock in payment.

![Diagram of apparent ownership of QMH November 1989](image)

Figure 3.1 Apparent ownership of QMH November 1989

QMH sold most of its businesses by mid 1989, including its Seaworld holding sold for a combination of deferred cash payments and the Mariners Cove retail complex. QAL’s last published (1987-88) accounts did not specifically mention QMH: it was probably hidden in QAL’s $76.4m investments in other unlisted companies. QAL had guaranteed all of the actual and contingent liabilities of an (unspecified) associated company for a period of 18 months from August 1987.

Deviance as a concept has positive and negative aspects. Labels are applied to distinguish behaviour, which varies from the accepted ‘normal’ standards. Negative rule breaking has negative connotations and is considered deviant, but positive rule breaking has positive connotations and leads to exceptional performance and is

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socially accepted /lauded and is linked to charismatic leadership.  

‘Negative sanctions are used to control those seen as rule breakers, while positive sanctions are used to reinforce superior performance’.

Aspects of Skase’s charismatic leadership in the 1980s are considered in the previous chapters. He and other high profile Australian entrepreneurs of the 1980s were presented as outstanding businessmen. By the mid-1980s the high profile market performance and their companies’ rising share prices, ensured their overt acceptance. They encouraged notions of prosperity in among a broad section of the community. The Australian public welcomed their success in a wave of ‘new nationalism’ and developed a new national image in an increasingly global context.

This new image embraced the inequalities associated with a few controlling a disproportionate amount of capital. These men were perceived as building powerful economic empires, similar to those created by powerful capitalists in core countries, which advanced the national interest in an international context. This was enhanced in Queensland by the ‘mercurial rise’ of the locally focussed Qintex group and Ariadne Australia. Thus, while Skase was seen as a successful businessman he was honoured and encouraged. When the prophecy fails the transient nature of charismatic leadership noted by Weber becomes evident as positive connotations assume a negative aspect and the charismatic leader is blamed (see Chapter 1). When the group failed, the prophecy failed, the mirage disappeared, and the group became deviant. Skase the former charismatic leader was considered deviant. Labels were applied immediately, well before any evidence that he had broken any rules. Skase’s

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24 Katz (1972) 195.
image was transformed into that of a fiend and he became the subject of a witch-hunt. This is considered more fully in Chapter 8.

The Role of the State

The state’s approach to corporate deviance is central to this thesis. I have placed the questions of how and why Skase was able to build his deviant group within the contemporary political economic structure, without consideration of the internal mechanisms involved. Elements of concern in the state’s approach (referred to briefly in Chapter 1) can be related to Becker’s three central concerns of labelling theory. Three factors which are evident in the state’s approach to corporate deviance and the labelling theory concerns they reflect are:

• The state’s apparent reluctance to redefine corporate activities as deviant. This reflects the social origins of labels. Whose rules?

• The input of the corporate sector into the definition and control of corporate deviance. This reflects the application of labels to selected groups. Why and how are specific individuals and groups selected to be labelled?

• The state’s disinclination to enforce the regulation of the corporate sector. This influences the consequences, and lack of consequences of labels on future behaviour.

Reluctance to redefine activities as deviant and apply deviance labels stems from the state’s dependence on, and support of, the corporate sector. The criminal justice system is directed primarily towards obvious, highly visible, street crime. Corporate crime and corporate deviance, which hide in the suite, are less visible and receive less attention. This reinforces the disparity in the application of labels. The vagueness of corporate law exacerbates this. Podger argues that the laws themselves need revision to accommodate the ways in which corporate crime changes rapidly.


She also suggests that more ‘sophisticated’ detection methods have increased its visibility.\(^{28}\) Katz notes that ‘institutionalised’ expectations include the notion that rules are shared and that sanctions are applied to impose rules, but that sometimes sanctions are applied when rules do not exist.\(^{29}\) Skase and other entrepreneurs took advantage of the lack of uniformity and regulatory chaos of the 1980s, discussed in Chapter 2, which arose from the friction between deregulation and innovative and aggressive postmodern flexible accumulation and the state’s need to encourage the entrepreneurs who created an appearance of economic prosperity on one hand; and the state’s need to appear to regulate entrepreneurial activities in order to maintain legitimacy on the other.

Skase was a member of the 1980s ‘new elite’, which was not socialised, by the ‘established’ elite and it openly challenged ‘accepted’ corporate norms.\(^{30}\) He and others exploited a plethora of professional experts to circumvent these norms and create an appearance of conformity. In so doing they exacerbated the ambiguities of corporate deviance definitions. They exploited ‘counsel’s opinion’ to create an impression of a serious concern to remain (or appear to remain) within legal boundaries.\(^{31}\) Wells argues that they were assisted by the groups, which might be expected to assist in corporate regulation:

> professional lawyers and accountants are oftentimes ... the white-collar criminal’s fellow collaborator ... [P]rofessional assistance to clients ... passed beyond the mere provision of


disinterested advice ... (to) [l]iterally become ... the ‘aiding and abetting’ of a criminal offence.  

Opinion shopping is a recognised technique (as observed in previous chapters). The company and/or its directors are not required to limit their options to one adviser’s opinion. They may approach several advisers and canvas a range of opinions and accept that which most suits their requirements. ‘The only opinion that counts is the one the client wants’. Qintex selected its new accountant on that basis after Deloitte Haskins & Sells qualified its 1981 accounts. Skase cited counsel’s opinion that Kaycliff’s purchase of the Adelaide and Perth television stations did not breach audience reach limits.

Corporate sector regulation is contained largely within itself, as discussed in Chapter 2. The state consults business before drawing up legislation. Quinney argues that those ‘persons or groups’ with ‘the power to shape public policy’ influence the criminalisation process, “[b]ehaviours that conflict with (their) interests’ are more likely to be criminalised.  

The association in Australia between business and its regulation was apparently more open in the 1980s than in USA where Freitag suggests that the relationship between the two sectors is sometimes less direct. The ASC held ‘public hearings which ... (allowed) the business community to have input into decisions and issues relevant to it’. Cotterrell suggests that corporate regulators build links with the business sector, such as those demonstrated in Henry Bosch’s approach to corporate regulation when he directed the NCSC, partly because they need its political support. Cotterrell suggests other factors may contribute to the need

for links such as inadequate resources, inadequate sanctions, legal uncertainties with regard to prosecutions, and inadequate public support.\textsuperscript{37}

The ‘established’ corporate sector has ‘structural advantages’ within the legal process.\textsuperscript{38} McBarnet argues that both ‘enforcers’ and corporate offenders are able to manipulate definitions and suggests that labelling theory be reviewed ‘in the context of white collar crime’ to consider how ‘individuals or organisations (manage) the labelling process to pre-empt the possibility of stigma … (and) neutralise the public label itself’.\textsuperscript{39} This relates to the contradiction inherent in the prevailing liberal capitalist ideology which disregards the paradox of the corporate sector having input into the definition and regulation of corporate deviance and the imposition of definitions and regulation of street deviance on the working class.

The state’s disinclination to enforce regulation of the corporate sector was apparent to Grabosky and Braithwaite in Australia in the mid 1980s. They found that:

\begin{quote}
   political interference was pervasive; ministers were able to quash prosecutions quite readily and did so. Corporate affairs regulators were told, ‘don’t rock the boat’.\textsuperscript{40}
\end{quote}

Ministers refused to increase resources for ‘hopelessly’ under-funded agencies, which were unable to cope with a ‘backlog’ of investigations. Braithwaite argues that in the 1980s Australian business regulation was ‘on the nose’ internationally, and penalties...
were ‘limp or inappropriate’, and ‘jokes about Australian business had become common at international conferences’.  

The state’s flexible postmodern attitude towards the auditing profession exemplifies its reluctance to regulate the corporate sector. Tomasic argues that the laws in the 1980s (which were in effect during Qintex’s rise and fall) ‘imposing liabilities upon auditors to report illegality and financial irregularities’ were inadequate. He argues that the Australian auditing profession considers the detection of fraud is ‘secondary’ to its ‘primary duty’ which is determining if accounts are ‘true and fair’.

Auditors have a duty to their clients, who ‘pay the piper’ and if they consider the accounts ’true and fair’ they are not obliged ‘ ... to report fraud’. The ASC, however, challenged this interpretation when it investigated Qintex’s auditors, Duesburys, claiming that ‘auditors were obliged to act as “whistleblowers”’. It determined that Duesburys had not been involved in any criminal conduct and referred the matter to CALDB.

Corporate regulatory activity does not become visible until ‘necessary to maintain the legitimacy of the state’. Box argues that criminal law targets less powerful members of society using a process of inclusion/exclusion, and that ‘[f]ew (people) are aware and sensitized to crimes committed by corporate top and middle management against stockholders ... and the general public’. The state applies ‘a

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selective enforcement paradigm’. The general public is not encouraged to perceive corporate deviance as a problem. Thus Skase and other entrepreneurs became ‘folk heroes’ in the 1980s, but following the corporate collapses at the end of that decade, he was the deviant ‘outsider’ who was transformed into a ‘folk devil’. Singling out individuals such as Skase suggested that the rest of the corporate sector was generally ‘clean’ and law abiding (this is discussed in more detail below with consideration of ‘landmark narratives’). Grabosky, Braithwaite and Wilson somewhat contradict this when they argue that both Australian and international data suggest that the ‘public perceives many forms of white-collar crime as serious and deserving of more severe punishment’ than street crime.

Secrecy inside QMH contributed to a dispute over the $5.9m cash from the sale of the vessel Mirage III. Skase’s attempts to avoid paying the sales tax on the vessel led to a series of round robin transactions between MRT and Lloyds Ships, which effectively concealed its true ownership. Creditors of both companies claimed it as an asset. The vessel’s ownership was not clarified by the Lloyds liquidators’ hearing. Lloyds became the registered owner on 13 September 1988 after MRT returned it claiming defects and that it had not met specifications. The same day Lloyds executed a mortgage over the yacht as security for a $4m intra-company loan. It remained on Lloyds’ balance sheet as an asset until April 1989, when it was apparently transferred back to MRT to comply with a request from the new Japanese investors.

Street deviance and corporate deviance are subject to different control systems. Street deviance is investigated by a police force whose knowledge relates to street deviance, they rarely have the appropriate, relatively high, qualifications and experience to investigate more complicated corporate deviance effectively. The situation in the 1980s conformed with Levi’s argument that standard police training and career paths do not favour the development of efficient fraud squads.\(^{48}\)

Concomitantly the lengthy investigation process exacerbates the position. Lavarch said

> [i]f there was a fault in the pursuit of (Skase), it was the time it took to undertake the investigation into the Qintex collapse, lay the charges, and to have an arrest warrant issued. By that time he had left the country and had located himself in Spain and was fully in a position to resist very strenuously.\(^{49}\)

Corporate regulatory authorities prefer to monitor corporate conduct and correct that conduct when necessary. Grabosky and Braithwaite argue that 1980s’ Australian corporate regulators were ‘modest enforcers’.\(^{50}\) The state has encouraged a reliance on non-government corporate regulation to replace direct state intervention, with a corresponding tendency to define infringements as a technical matter. This supports the notion that in contrast to street crime, corporate breaches are not ‘real crime’.\(^{51}\) The sociology of deviance is better equipped to consider this notion than the sociology of crime.

‘Modest enforcement’ can frequently be interpreted as apparent inaction on the part of the authorities. Authorities prefer civil action to criminal action, but expert assistance, including bankruptcy and the movement of money offshore, hampers the

\(^{49}\) CM 7/8/01:1, 5.
full application of sanctions. Griffin demonstrates that regulatory bodies were aware of extensive fraud in the US penny-stock industry but could not prevent it, and Coleman argues ‘that corporate power ultimately crippled the enforcement process’ of the US anti-trust legislation in the oil industry.\textsuperscript{52}

The state acts in its own interests; it constructs much public opinion regarding crime and deviance, irrespective of its reported incidence. This is tied to ways in which the media themselves are also influential in selecting the news and determining how labels are applied.\textsuperscript{53} The state focuses on deviance, which threatens its institutions. Thus with the emerging dominance of finance capitalism and flexible accumulation, financial fraud scandals have increased. Calavita and Pontell argue that the selective focus suggests that the crackdown on financial fraud represents less an effort to control crime per se than ... a desperate effort to contain the damage in a fraud-ridden and ailing (savings and loan) industry.\textsuperscript{54}

They argue that unsolicited public pressure triggers many prosecutions of white-collar deviance, which does not threaten those institutions. The Skase case was initially used as a diversion, but when the government stopped funding his trustee’s search for hidden resources because it was futile, public pressure forced it to resume.

The state’s reluctance to enforce corporate regulation is reflected in funding for research and thus in the literature. Wheeler, in 1976, argues that the resources

\textsuperscript{51} Tomasic (2001): 24-29.
allocated to the study of working class deviance far exceed the insufficient funding for studies of corporate deviance. 55

The collapses, which followed the corporate excesses of the 1980s, undermined Australia’s international corporate reputation and undermined the state’s legitimacy. It is argued that the state needed to demonstrate that it controlled corporate regulation. Concomitantly it needed to divert attention from the structural political economic factors, which created the problems. Skase was the obvious scapegoat. His juvenile attempts to evade court action and unlikely excuses exacerbated the label already applied over payments to QGMS and himself.

The Skase case has become a ‘landmark narrative’ for the corporate excesses of the 1980s. Nichols demonstrates the role played by ‘landmark narratives’ in:

- generating new categories of problems and accompanying warrants for claims-makers’ preferred policies. 56

I argue here that in Australia in the last decade or more a similar process has led to the masking of a far deeper systemic problem of capitalism. The market depends on the construction of a safe impartial image, which was threatened after the late 1980s’ corporate collapses.

Skase and his corporate mirage were used to construct the concept that the social problem was one of individual responsibility rather than a pervasive social problem created by that period’s political economy. At the same time attention was

diverted from other prominent businesspeople ‘and managers and employees of ... principal banks, who participated just as enthusiastically in the (money) scramble.\textsuperscript{57}

The media applied the deviant labels. News themes were created and labels were presented to the public. Fishman shows that the media are selective in their construction of the news, and that other media outlets frequently follow an established theme. He argues that ‘processes internal to a new production system’ create ‘crime waves’. This process applies to the construction of the negative labels applied to Skase as one of the major individuals responsible for the corporate collapses of the 1980s.

Two major problems arise when reporting corporate deviance. One is the complexity and time consuming nature of investigating the relevant issues. The second is the real threat of defamation actions. Reporters may spend weeks researching a fraud story, and then they must present it in such a way as to appeal to, and be understood by, readers, and also satisfy their employers’ lawyers, who may ‘cut out all the interesting bits’.\textsuperscript{58}

Media presentations tend to conform with the dominant ideology. An example of the media’s application of labels is given by Warner and Molotch who argue that the financial press explained the 1987 stock market crash in terms of ‘socially embedded conceptions of markets, rather than the prevailing doctrines of economic or financial theory’.\textsuperscript{59} In a qualitative analysis of three influential US financial newspapers, which they argue are ‘widely read’ by US investors, they found that the media considered that the crash had ‘a knowable cause’. They found a general


assumption that the companies concerned were earning large profits, with little attempt to examine companies’ economic viability, which led to questions about ‘the legitimacy of the crash’. 60

From the time the MGM purchase collapsed in 1989, the Qintex group and Skase were transferred from the financial pages to the front pages of newspapers. Media attention focussed on the sums of money involved, particularly payments to QGMS, creating a hazy impression among the general public that Skase had somehow appropriated all the money, which had disappeared. Attention focussed on his fugitive status and his bizarre behaviour to avoid prosecution. Channel 9 featured a story showing his luxurious lifestyle in Majorca, which gave the lie to his claim to be living in penury in a ‘dilapidated farmhouse’.61 The ABC made a special Four Corners program to celebrate his 50th birthday during which broadcaster Andrew Denton said:

[h]e’s not only ripped us off, not only lied to us, but now he has the gall to go overseas and whinge to us about how we’re treating him. I think that’s why he really irritates people.62

The Qintex group collapse, which lost $1,260m (+ Kahmea’s losses), was by no means the largest corporate collapse associated with that period and Skase was not the only fugitive entrepreneur. Adsteam for example lost $2,100m. Abe Goldberg of the Linter Group (which lost $750m + Goldberg’s private companies’ losses) is now in Poland. Several of the 1980s entrepreneurs have been the subject of inquiries and some, such as Alan Bond (Bond Corp. lost $4.35m + Bell Resources’ $1,500m deficit and Dallhold losses) and George Herscu (Hooker Corporation lost $1,390m + Hersfeld’s losses), served prison terms. Bond is now a discharged bankrupt, and the

60 Warner & Molotch :173.
authorities no longer attempt to trace money which he was believed to have hidden in overseas tax havens. The Federal Government encouraged Skase’s demonisation when it assumed his trustee’s funding after major creditors (financial institutions) stopped paying for it.

From the time the major group companies went into receivership, reports concentrated on the values, which Skase had attributed to assets. The fact that the large part of Skase’s personal debt in bankruptcy was due to personal guarantees given to banks for money lent to Kahmea and Qintex, did not feature prominently in media reports. There was no speculation about deficient corporate regulation or creative accounting. Even when Campbell admitted that the profit claimed for UTL in 1988 had not considered interest payments which in fact cut that profit to a loss, the media reports concentrated on the company’s, and by implication Skase’s, deviance, not on the accounting standards which allowed the group to make its claim.

Clarke’s broad definition of corporate deviance is consistent with postmodern fragmentation and flexibility, and the unstable corporate condition of the 1980s. All of the 1980s new entrepreneurs were postmodern opportunists. Their business ethics (licit and Illicit) were frequently questionable, and they frequently crossed legal boundaries. The ‘Red Queen’ element exploited the potentially criminogenic corporate environment. The state’s position described here supported postmodern concepts of ‘swift, decisive ... decision-making’, and postmodern innovation assisted Skase and others as they exploited legal and accounting ambiguities. This chapter on deviance builds on arguments about corporate collapse, corporate

64 Harvey:1,18.
regulation and the role of accounting developed in Chapter Two. It concludes the theoretical section of this thesis. These three chapters provide the framework for the development of the case study in the next five chapters.
Chapter Four

The First Ten Years

This chapter outlines the first ten years of the Qintex group’s development in which Skase laid the foundation for Qintex’s brief emergence as a significant national company with international aspirations, based in Queensland. Skase was one of Harvey’s ‘speculators, entrepreneurs, and debt peddling finance capitalists’ fostered by post modernity.\(^1\) He provided ‘ephemeral services’. His career as an entrepreneur, and the foundations of his postmodern corporate mirage, began in October 1974, the early postmodern phase. He projected a postmodern image of luxury and leisure. He cultivated a high profile, which concealed low performance. He exploited flexible accumulation and used creative accounting techniques described in Chapter 2 to disguise his group’s high-risk profile with apparent profits, which concealed real losses. The financial deregulation of the 1980s described in Chapter 1 allowed his corporate mirage’s meteoric expansion. He exploited corporate invisibility to hide deviant activities. When that expansion began Skase moved his headquarters from financially central Melbourne to financially peripheral Brisbane. The two story headquarters’ decor, resplendent with blue marble and \textit{objects d’art}, was reputedly described in some design circles as ‘postmodernist Roman bath-house’.\(^2\)

During its first ten years Qintex followed the pattern of acquisitions outlined in Chapter 2 to build the group pyramid. In less than six years it acquired PML Property Trust (PML) (later renamed Mirage Resorts Trust), Industrial and Pastoral Holdings Ltd (IPH) (later renamed Qintex Australia), Welmar Ltd (Welmar) (first renamed Hardy Brothers (Group) Ltd, and then Qintex America), and Wilkinson Day and

\begin{footnotesize}
\begin{itemize}
  \item\(^1\) Harvey:223.
\end{itemize}
\end{footnotesize}
Grimes Ltd (Wilkinson) (later renamed Universal Telecasters [UTL]). Skase adopted a postmodern stance in renaming all his companies at least once.

A prominent feature of Skase’s fifteen year career as an entrepreneur, and of the group’s expansion, were his various, persistent attempts to become a television proprietor. His father, a Melbourne disc jockey, apparently stimulated this by saying that it was more profitable to own a television station than to work for one.

Christopher Skase was born in Melbourne in 1948, and educated at Malvern and Caulfield Grammar Schools. He joined Melbourne stockbrokers J.B.Were and Sons, where he was reputedly promoted seven times in three years. He left Were in 1970, supposedly frustrated because his youth precluded access to the floor of the stock exchange. A 14 month working holiday around Australia included Port Douglas in North Queensland, where he was ‘fascinated by its tourist possibilities … (which) really opened up a whole series of thought processes’ and made his sketch in the sand. He returned to Melbourne and worked as a financial journalist, first with The Age and then with Australian Financial Review. He married Joanne Nanette (Pixie) Dixon in 1978. It was his second marriage. She had been married twice previously and had four daughters.

Skase’s career as an entrepreneur began in 1974 when he left the Australian Financial Review and, using $15,000 savings, formed Team Securities Pty Ltd with three other men. Skase was managing director, his partners were: John Shergold, managing director of Brick and Pipe Ltd, who contributed ‘listed company backing and connections’; Melbourne accountant, Peter Hutchins, the founder of the Levart

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2 Australian 24/7/87:2.
3 Weekend Australian 9/4/88; Focus 1.
5 This positions it at the start of capitalism’s post modern phase.
6 TEAM may have been an acronym for Takeovers, Equities And Management. Weekend Australian 25-26/7/87:15.
group of companies who contributed ‘tax and accounting expertise’, and Douglas Shears, a Melbourne cereals magnate, who contributed ‘entrepreneurial flair’. Team started with an issued capital of $10,000 and $90,000 debt. The loan was arranged through National Mutual Life’s new venture capital subsidiary Citinational Holdings, managed, in a postmodern approach, by ‘a cheerfully experimental banker Nick Dawe’. Team operated in a tightly regulated money market; liquidity was a problem. As an equity investor it proposed to derive income from both dividends and capital growth. It acquired low earning, ‘asset rich’ companies, many of which concentrated on the entertainment and hospitality industries. It made a takeover offer in May 1975 for Victoria Holdings Ltd (which owned the Victoria Hotel Melbourne), and eventually gained 50.15% of the company.

In September-October 1976 it obtained a ‘significant interest’ in the Victorian Broadcasting Network Ltd (VBN) (later Southern Cross Broadcasting), and Skase joined the VBN board. Most significant for this thesis, however, was the control of the small Tasmanian listed company Ludbrooks Ltd with retailing and mining/exploration interests, a virtual ‘shell’ company, which did not pay dividends. The company was renamed Qintex Limited at the end of June 1975, a month before balance date.

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7 Shergold, was a partner of accountants Wilson Bishop Bowes, as was Hutchins’ brother Barry. AFR 24/6/77:34-35.
8 Weekend Australian 9/4/88; Focus 5.
10 The National Times 27/9/76-2/10/76: 67.
11 VBN’s wholly owned subsidiaries included Barrier Reef Broadcasting Ltd (inc Qld). Its licences were: Radio Stations 3TR Sale, Victoria, and 4MK Mackay Queensland; Television stations BCV8 Bendigo and Central Victoria, BCV11 Swan Hill and Murray Valley, GLV10 Gippsland and Latrobe Valley. VBN was renamed Southern Cross Communications in 1982.
12 This transaction involved Abe Goldberg’s Cleckheaton. Cleckheaton acquired 33% of new Qintex subsidiary Qintex investments. Qintex’s 1977 annual report claims that Qintex Ltd has 100% beneficial interest in Qintex Investments Pty Ltd. Qintex Investments and Cleckheaton then held 50% each of Team Media, which bought 13% VBN (Shergold family also held 20% VBN). In April-June 1977 Qintex and Skase sold their interest in Team, to a mixture of VBN, Brick and Pipe, and Cleckheaton in a ‘very funny round robin type deal’. The original Team people apparently left Team on 24/4/77. AFR 8/4/81: 60; Age 17/6/81:21.
13 In his chairman's report in the 1980 Annual Report Skase makes a reference to ‘a popular story ... that Qintex stood for Queensland International Export others say that it was just snatched out of the air’. Qintex Annual Report 1980:3.
Skase became chairman, and Melbourne barrister F.G. Davey joined the board.\textsuperscript{14} Qintex sold its retail operations on an extended payment, and then acquired a 21% interest in Team Securities Ltd.\textsuperscript{15}

Skase’s long business association with broker Tom Klinger can be traced from this time. He was 'the vital catalyst outside Qintex in the rise and rise of Christopher Skase',\textsuperscript{16} as he helped raise funding for several takeovers, including IPH, Wilkinson, Universal, Wide Bay-Burnett, and the Fairfax television stations. Klinger was employed by Eric J. Morgan, when he helped Qintex’s first corporate move, its takeover of Lustre Jewellery in the 1970s. When he moved to joined McIntosh Hamson Hoare Govett he took Qintex with him. In 1986 McIntosh underwrote $200m for Mirage Resorts Trust and $125m for Qintex America.\textsuperscript{17}

The \textit{Australian Financial Review} labelled Team unfavourably in June 1977: it had not filed a return with the Corporate Affairs Office for the 1976 financial year (ended 31 December 1976). It had an operating loss for that year of $70,534, shareholders funds of $8,466, issued capital at $10,000, current liabilities of $649,000, and current assets of $17,540. The working capital deficiency of $631,000 was apparently offset by an item, 'investments', in the books at $637,042 cost price, about $21,000 less than its current market value. There were bills payable of $529,000 and interest paid of $35,609. Skase claimed the company was profitable in 1977, but would not comment on the previous year’s profitability.\textsuperscript{18}

Skase’s relations with his partners became strained in the attempted takeover of Georges, mentioned in Chapter 2. Skase arranged to buy its shares for $1.45,

\textsuperscript{14} Davey resigned over the payment of $32.6m to Qintex Group Management Services Pty Ltd in/10/89. The former chairman R.A. Ferrall C.B.E remained on the board until 1982. In 1976 a new director P.T. Tanner was listed as a substantial shareholder (at 31/10/76) with one (1) share more (830906 = 16.26\%) than Team (830905 = 16.26\%). His holding as a director (at 21/8/76) was 85599 shares; he was on the board for 2 years.

\textsuperscript{15} Its annual report for that year noted the acquisition of ‘a 21 per cent holding in the Team Securities Limited Group. Through its subsidiary, Team Hotels Pty. Ltd., the company has acquired 50.15 per cent of The Victoria Holdings Limited, Melbourne based hotel operator and property owner.’ Qintex Limited \textit{Annual Report} 1976:3.

\textsuperscript{16} Peter Burden interviewed soon after the Fairfax acquisition stations was announced. \textit{AFR} 24/7/87:15.
although his partners had only authorised him to pay $1.20. When they objected he
called them ‘weak’ and ‘gutless’. Another time one of his partners read in the
newspaper that Qintex had bought an unauthorised 9.9% of Lustre Jewellery. Skase,
impatient to do everything at once, called them ‘too slow (and) he wasn’t going to
hang around and work with people like them’. Shergold said that Skase ‘was never
going to be beaten when he wanted something’.²⁰

In May 1978 Skase left Team taking

… 33 per cent of … Qintex, which was capitalised at
$200,000 and was returning $10,000 in net profits a year.²¹

Qintex operated as 'an equities and property investor'. It sold its 50% interest in Team
Media Investments Pty Ltd for ‘a worthwhile surplus', and the Ludbrooks retail and
residual mining interests. Its newly formed (1978) subsidiary Qintex Properties Pty
Ltd, apparently built an office-factory complex in Tasmania for Detroit Engine and
Turbine Company (as tenants).²²

Ownership and control of Qintex were soon concentrated among the top 20%
shareholders, whose holdings increased from 37% in 1974 to 50.2% in 1977 to 61% in
1979, with Skase’s Waihala Investments Pty Ltd and Kahmea Investments Pty Ltd
substantial shareholders.²³ Skase cemented his control with the issue of contributing
shares, under an Executives Equity Participation Program initially paid to 1 cent
each.²⁴ They apparently carried equal voting rights with fully paid shares. Another

¹⁷ AFR 27/7/87:15.
¹⁸ AFR 24/6/77:34.
²¹ Diedre Macken (1986) 'Young man in a hurry' Age 18/3/86:11.
²³ Qintex’s 1978 Annual Report does not list either Team Securities or P.T.Tanner as substantial shareholders.
²⁴ Qintex made two issues of these shares in 1979, totalling 1.45m shares for a consideration of $14,000. At that
time Qintex had issued 10,639,374 fully paid shares with 30,000,000 ordinary shares authorised. A share
consolidation later in the year reduced the number to 290,000. A call made on the 200,000 of these shares later in
1979 raised a further $18,000. The Stock Exchange Research Service Qintex Limited Q.22:5. Qintex Limited
factor in the control of the company were 330,805 shares 11.95% of the issued fully
paid capital held by McIntosh nominee company Gammon Nominees for a client or
clients in 1981. Skase consolidated control of the company with the appointment of
new board members, Peter Burden, who was associated with Qintex’s new Melbourne
solicitors Barker Harty & Co, and A.S.Dixon, who held 500 shares beneficially.
Pixie Skase became Secretary to the Executive in 1979. His wife’s brother-in-law Ian
Curtis became General Manager in 1979, and joined the board in 1980 from which he
retired in 1987. Dudley Braham, who resigned in 1989, joined the board in fiscal
1980. Geoffrey Putland, an accountant, was appointed Corporate Financial Controller
and Company Secretary in 1980.

In May 1978 Qintex extended its business operations into the leisure and
entertainment markets with the acquisition of 43% of Lustre Jewellery Ltd, with
funding assistance from Klinger. In March 1979 Qintex acquired 100%, at $22.55
per share, of the prestigious Hardy Brothers Limited, whose clients included the
Australian elite, and moved into the luxury jewellery market, after the 1978 Annual
General meeting approved an expansion of authorised capital from $1,120,000 to
$3,000,000. Skase called the latter the 'most important development to date in the
rejuvenation of the company', and indicated that Lustre would 'progressively introduce
more up-market products primarily aimed at the 16-25 age group'.

Klinger organised finance for the Lustre acquisition. He was also reported to
have assisted with the Hardy purchase, which was financed by Tricontinental Ltd and

There is no mention of contributing shares in the A.A.S.E. Listing Requirements in Qintex’s Annual Reports
between 1979 and 1986.
25 Qintex Limited Annual Report 1981: 16. Skase held a beneficial interest in 1,157,572 shares at that time and
these possibly included those held by Gammon Nominees.
26 This increased to 100% over the next two years. Lustre’s former managing director A.S.Dixon, joined
Qintex’s board with 500 shares as noted in the previous paragraph. Lustre later changed its name to Moage,
aquired the residual Ludbrooks mining interests and was sold. AFR 10/5/78:28. Qintex Limited Annual Report
the Commercial Bank of Australia. After the purchase of Hardy Brothers, Dixon's and Davey's beneficially held shares increased to 25,000 without any reported placement to explain their increased holdings. From this time Qintex projected an image of luxury and leisure, reinforced by glossy photographs in its annual reports, aimed specifically at the leisure class, that small elite section of the market in the upper income brackets. From this point Skase developed an image as a commodity provider.

Skase later called Hardy’s purchase 'a oncer ... (which) really put the coal in the engine'. His transactions with the company capitalised on the secrecy allowed by a 100% owned proprietary company. In its 1979 Annual Report Qintex’s investment in Hardy Brothers is listed as $3.182m and the jewellery company’s contribution to the group’s profit is $80,418. A year later however Qintex’s investment in the company was reduced by $1.5m to $1.682m, without any explanation for the drop in value. Qintex had probably disposed of Hardy Brothers’ assets. The 1980 Annual report, however, shows a $269,481 surplus on the sale of investments but does not indicate asset sales exceeding $1m. In his report Skase claims a progressive ‘build-up’ of liquidity over the previous 12 months with a corresponding reduction in gearing in 1980, and Qintex’s current liabilities were reduced by just over $1.5m. The coal had apparently gone into the engine!

Other, ultimately unsuccessful, attempts at expansion in the jewellery business, included purchases of shares in two companies which reported higher profits in 1979, Wm Drummond Ltd and Hawke (Australia) Ltd. Qintex purchased a 9%
holding in Drummond, but sold it in February 1980.\footnote{Qintex Limited Annual Report 1980:5.} A hostile Hawke board prevented the takeover attempt after Qintex Manufacturing Pty Ltd's acquired a 12% holding in it. Qintex was ‘motivated by a genuine desire to effect some long overdue rationalisation of manufacturing within the jewellery industry’.\footnote{Qintex Limited Annual Report 1979:5.} It sold this holding in February 1981\footnote{SMH 28/2/81: 40.}. 

There is no mention in the chairman's 1979 report of the subsidiary Qintex Jewellery Pty Ltd (acquired in 1978) in which Qintex's investment had increased from $2 to $300,000 and which contributed $13,293 to the group's profit (4.87%). This company did not contribute to the 1980 results and was not mentioned in the 1981 report.

Skase, predicting ‘a strong growth’ for electronic media, made another disorganised, badly planned attempt to be a television entrepreneur in March 1981. Qintex acquired 5.89% of VBN through the McIntosh.\footnote{AFR 19/3/81:47.} It then offered $2.50 per share (30c over the market) for 50% of the company,\footnote{The offer was conditional on Australian Broadcasting Tribunal approval, and on VBN not increasing its holding in Brick and Pipe.} conditional on Australian Broadcasting Tribunal approval and on VBN not increasing its holding in Brick and Pipe Industries Ltd. VBN resisted the takeover; its board labelled the offer ‘unrealistic and totally inadequate’, and questioned the viability of the offerer, a $2 company.\footnote{Purchases at $2.65 secured VBN, and Sunraysia acquired 4.86% VBN (which held about 5% of Sunraysia)\textit{AFR} 29/5/81: 76; 1/6/81: 24 \textit{Age} 29/5/81: 19; 30/5/81:29; \textit{Australian} 29/5/81: 20; \textit{SMH} 30/5/81: 36. \textit{AFR} 2/9/81: 43. Note the directors of VBN sued the \textit{Age} over its publication of a story \textit{in/6/81} about the control of VBN and its relationship with Cleckheaton and Team. A director of VBN resigned and sent a letter to the ASX (Melbourne) over VBN & Brick & Pipe 12/8/81: 58.} Friendly interests secured VBN against Qintex buying shares on the market at $2.65
(15c above the Qintex offer), and Sunraysia acquired 4.86% VBN (which held about 5% Sunraysia). 39

The part A statement on the offer, in May, had not been delivered by October: Skase blamed 'administrative delays'. VBN reported this to the NCSC and the Victorian Corporate Affairs Commission, neither of which acted on the matter. 40 The Australian Broadcasting Tribunal said that Qintex's application had lapsed and that it would need to make a new application. 41 Qintex withdrew its bid in November 1981 and sold its 6.12% stake in VBN for $2.50/share, reported a $350,000 profit, but did not mention interest charges. 42 Skase told Qintex's 1981 AGM that he dropped the offer because the board was un receptive. 43

That same year Qintex acquired its first holding (19.99%) in PML Property Trust (PML), and board and management representation ‘which ... firmly planted (the) investment in the context of (Qintex) property investments’. 44 Skase became a director of Presmada Ltd, which managed PML. PML had three major property investments; the Preston Market, and the Leonda Reception Centre in Melbourne, both of which it sold in 1984, and Butts Shopping Centre in Maroochydore, Queensland. This purchase was in line with Skase’s overall ‘grand design’, and the initial holding was steadily increased over the next few years. 45


40 The NCSC was hampered by a legal loophole, and the VCAC told VBN informally that they could do nothing about it.

41 Age 17/10/81: 29. AFR 21/10/81: 49. Sydney Morning Herald 17/10/81: 38.

42 The financial media speculated that Qintex had paid less than $2/share, and calculated a probable profit which included VBN's recent bonus issues. Age 7/11/81: 25.; 6/11/81: 22. AFR 10/11/81: 77.

43 Age 19/12/81: 24.

44 Qintex Limited Annual Report 1981:5. PML was renamed Mirage Resorts Trust in 1986, and became the vehicle for tourist resort developments.

Qintex Ltd’s auditors, Deloitte Haskins & Sells, qualified its 1981 Annual Report because:

the … profit and loss account of the Company and its subsidiaries … are not properly drawn up in accordance with the provisions of the Companies Act 1962 so as to give a true and fair view of the results of the Group for the year ended 31st July 1981.\(^{46}\)

Qintex had, ‘creatively’, overstated its Consolidated Operating Profit, before and after tax by $145,235. It sold its shares in a wholly-owned subsidiary, Lustre Jewellery Ltd, and ‘calculated the profit as the surplus over the cost of the investment’, without any consideration of the subsidiary’s reserves of $145,235, which ‘have been included in consolidated profits in prior years’.\(^{47}\) This qualification was dated 9 November 1981.

Four months later, at an extraordinary general meeting, Qintex appointed Wallace McMullin and Smail (later Duesbury’s), who audited Qintex’s new subsidiary IPH\(^{48}\) (see below). The directors had invited tenders from Deloitte and four new firms\(^{49}\) because Deloittes’ costs had increased enormously. The firms were ‘briefed on an individual basis’; four submitted tenders but Touche Ross declined the invitation.\(^{50}\)

Wallace McMullin and Smail partner, A.B.McMullin, said that it was aware of the qualification when it tendered, but that it had a ‘different view’ on the qualification because:

\[\text{[i]}t\text{ is a matter on which there is no standard, and there are a number of precedents for the item being treated in the way it has been treated in these accounts.}\] \(^{51}\)

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\(^{49}\) Deloitte was invited to tender two months after the others.

\(^{50}\) Other firms which submitted tenders were Coopers and Lybrand, and Pannell Kerr and Forster. Australian Broadcasting Tribunal (1985):110, (418-420), 427, 429.

McMullin was referring to the standards laid down by the Australian Accounting Foundation Research Foundation. The new auditors did not qualify the 1982/83 accounts when Qintex used the same treatment. This matter is referred to in the previous chapter to illustrate several features of creative accounting.

Qintex’s next major acquisition was to become the group’s major vehicle for investment and expansion. It acquired control of the issued capital (52%) of Industrial and Pastoral Holdings Ltd (IPH) at $1.70 cash per share, on 31 December 1981, and launched a takeover offer for the rest of the shares at the same price which Barclays Australia Ltd considered ‘fair and reasonable’. IPH’s assets included about $1.8m cash from the 1981 sale of its interest in Australian Parking Ltd. Qintex gained 90% of the company, but reduced this to 51% through placements with ‘professional institutional shareholders at the same price Qintex had paid’. Klinger acted for Qintex. Skase said he intended to retain the listing as ‘listed investment companies were rare’. Skase, Burden, and Curtis replaced the previous board. Skase promised an immediate increase in dividend from the current level.

Qintex began liquidating IPH’s extensive blue chip stock portfolio through McIntosh immediately after gaining control, but before the board recommended the offer. Skase said the company was consolidating its assets from small holdings in many companies to large holdings in a few, but would not confirm which stocks had been sold. Skase claimed he had anticipated a ‘softening of the market’, which was

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54 It was renamed Qintex Australia in 1987.
56 The net asset backing of the company was $1.72 per share, but Barclays indicated that costs associated with the realisation and liquidation of the assets would exceed 2c per share. Age 1/1/82:11; 15/1/82:45; 16/1/82:27. Australian 1/1/82:9. AFR 4/1/82:13; 13/1/82:27; 27/1/82:40. SMH 1/1/82:11.
58 Age 14/1/82:15. AFR 14/1/82:27; 15/1/82:45.
justified two months later by a sharp decline in the All Ordinaries and Industrial Indices.⁵⁹

In its 1982 annual report Qintex Ltd stated that the assets’ sale had realised a profit over their conservative book value. Qintex had revalued the assets and the profit was made against this revaluation. There was no indication of how realistic that book value was, therefore of how genuine the profit. A comparison of the value of IPH’s share portfolio at the time Qintex gained control and the value two weeks later,⁶⁰ suggests that Qintex should have made a loss on the money realised by the share sales as most of the share prices had fallen an appreciable amount in that two week period.

Skase announced that Qintex Ltd would become a holding company, cease investment activities, and transfer all of its equities holdings to IPH, to 'eliminate any potential conflict of interest'.⁶¹ This included Qintex’s holding in PML. These investments, however do not appear to have included the Hardy Brothers jewellery business. IPH acquired four new subsidiaries in 1982 - three $2 companies and one (I.P.H.Securities Pty Ltd) capitalised at $34,376. Qintex Ltd stated that it had not disposed of any subsidiaries, but four companies were removed from its list of subsidiaries.⁶²

IPH’s subsidiary IPH Underwriters Pty Ltd (established under its previous management) now housed the group’s short-term activities. These included underwriting and sub-underwriting equity issues and short term trading in placements.

Skase, who denied that the Qintex group operated as a share trader, claimed that this

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⁵⁹ The All Ordinaries Index fell 174 points, and the All Industrial Index fell 102 points. Industrial and Pastoral Holdings Limited Annual Report 1982:3.

⁶⁰ Before Qintex gained control IPH published its share portfolio in its annual reports. This allowed the values to be calculated based on Melbourne Stock Exchange share prices at the close of trading on 31/12/81 and 14/1/82.

was the only company in the group, which derived its taxable income from share transactions. In 1985 its activities accounted for less than 10% of IPH’s funds. As a proprietary company its accounts were not available for public scrutiny and its transactions were hidden within its parent’s.

IPH changed its balance date to 31 July in 1982, to conform with its parent’s balance date. In its 1982 annual report which covered 13 months the company, whose consolidated 1981 balance showed $60,486 available cash, and which should have been ‘all cashed up’, shows a newly acquired bank overdraft of $7,662, and a $355,647 liability owed by the parent company. This is not mentioned in Qintex Ltd’s 1982 Annual Report. At this time the merchant bank Tricontinental became a banker for both IPH and Qintex Ltd.

IPH’s 1982 Annual General Meeting was asked to support the Board’s recommendation that a dividend of 7c be paid in December 1982, ‘out of the profits of the Company for the thirteen months ended 31st July 1982’. IPH’s 1982 Annual Report indicates that the dividend would be paid, but did not make a provision for it in the accounts. The 1983 Annual Report also specifies that a dividend was paid, but gives no indication of its source, which may have been the company’s retained profits, but there is no evidence that this happened. As $360,760 was provided for a smaller dividend (6.75c) in 1981, it is possible that the company’s 1982 profit was overstated by a figure in excess of that amount. Another explanation is the IPH used the accounting policy, which Qintex Ltd introduced in 1979 when it paid its first dividend, and introduced a dividend reinvestment plan. It argued that shareholders

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62 One had the same name in both cases (Q International Pty Ltd), three were $2 companies the fourth (Qintex Securities Pty Ltd), in which Qintex had a $2 investment, had contributed $8,270 to the group profits in 1981. It was possible that Qintex Securities became IPH Securities. Qintex Limited Annual Report 1982:13.
would have the double benefit of taxation advantages and increased investment in the company, which would benefit from the increased working capital. Neither of the auditors concerned with the Qintex Ltd and IPH over that period (Deloittes or Wallace McMullin & Smail, who became Qintex Ltd’s auditor in 1982) made any comment on this practice. However both companies made provision for dividends in their 1983 accounts.

The next acquisition again followed Skase’s established pattern. IPH Ltd’s subsidiary IPH Underwriters Pty Ltd acquired 93% of Welmar Ltd, a suspended 'cashed up shell’, in October 1982. It reduced the holding to 60% with placements through Klinger at McIntosh. The purchase valued Welmar at $564,000, $110,000 above its asset (mostly cash) value. On 31 December (New Year’s eve) 1982 an extraordinary general meeting of Welmar’s shareholders agreed to purchase Qintex Ltd’s jewellery subsidiaries, Hardy Brothers Ltd and Lustre Jewellery (Australia) Pty Ltd, for $4.025m ($1.645m above book value), which the independent valuer Wardley Aust Ltd called a fair price. Welmar increased its authorised capital from $250,000 (125,000 ordinary shares at $2 each) to $10,000,000 (5,000,000 ordinary shares at $2 each, which were then split into 19,900,000 ordinary 50c shares, and 10,000 cumulative redeemable preference shares).

The sale generated a $2,293m profit for Qintex Ltd, which comprised 99% of its $2.3m investment profit for 1982/3.

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65 AFR 1/10/82:79; 6/10/82:45.
67 Wardley’s independence was somewhat compromised by the allocation to Wardley in 10/82 of 2,000 Cumulative Redeemable Preference shares in an IPH subsidiary IPH Investments Pty Ltd. Extract of Letter dated 8/7/83 from Messrs Barker Hart & Co., solicitors, to the Australian Broadcasting Tribunal; cited in TNQ supplementary submission to the ABT. Wardley was an ‘independent valuer’ again a year later for a transaction in which Skase and Burden were on both sides.
68 Hardy Brothers (Group) Ltd Annual Report 1983:10.
69 Powditch appendix 4.
Table 4.1 Qintex Ltd accounts 1983

<table>
<thead>
<tr>
<th>Profit before tax</th>
<th>$2,139,600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus on the sale of investments</td>
<td>$2,283,531</td>
</tr>
<tr>
<td>Loss without surplus</td>
<td>-$153,531</td>
</tr>
</tbody>
</table>

Ironically Qintex Ltd itself contributed to a large part of the capital which constituted the profit which it made on the sale of the jewellery business. It received $4,025,000 from the sale of the jewellery interests, but Qintex Ltd, which ‘took up’ 3.3m shares, paid $2,5113,344 for Welmar shares. Welmar paid for the jewellery business with a placement of 7.4m 50c shares at a 25c premium, underwritten by Tricontinental Securities Ltd, which raised $5.5m. The $1.5m left after paying for the jewellery business was reputedly earmarked for its expansion. There is no indication, however, of how it was used, or of what happened to Welmar’s cash component. IPH Underwriters also shared in the Welmar-Hardy Brothers (Group) placements. The company, purchased by Qintex Ltd’s 51.9% owned subsidiary IPH, became a less than 50% owned Qintex Ltd subsidiary. In 1985, however, Hardy Brothers (Group) was again IPH’s subsidiary.

Welmar was renamed Hardy Brothers (Group) Ltd (Hardy Brothers), and relisted as a company targeting the leisure class. Qintex retained just under 50% and the rest of the top 20 shareholders were ‘almost exclusively institutional’. Despite its high profile and elite clientele Hardy Brothers (Group) Ltd never performed well. Each year Skase had a different explanation for its unprofitability.

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70 Robson counsel assisting Australian Broadcasting Tribunal (1985a): 505. The figure ‘surplus on the sale of investments’ cited by Robson is lower than the $figure $2,311,141 shown in Qintex Ltd Annual report 1983: 18 which would give a loss of -$171,541.
71 Skase in evidence before, and Robson counsel assisting, the Australian Broadcasting Tribunal (1983), 2/2/84:363,366-69, 505.
72 Skase in evidence before the Australian Broadcasting Tribunal (1983), 2/2/84:364.
75 Hardy Brother (Group) Ltd Annual Report 1985 :27.
77 In 1983 Skase blamed the economy. In 1984 an increased profit was offset by an extraordinary, but otherwise unexplained loss of $250,000. In 1985 the January half recorded a 62% slump and it did not pay an interim dividend, and cut the final dividend from 4c to 1.5c /share; they claimed that relocation and expansion had
Hardy Brothers was never consolidated in the group accounts. The underwriting agreement with Tricontinental, specified that Qintex acquire a 50% shareholding in Welmar from the placement. Qintex, however, maintained its holding at 49.9% of Welmar, making it an associated company not a subsidiary. Qintex was able to include the surplus on the sale in its own accounts in its consolidated profit figures, but did not have to consolidate any Hardy Brothers losses. Qintex would not have been able to include the profit generated by the sale of the jewellery business if it had retained 50% or more of Hardy Brothers and had to consolidate that company into the accounts. Skase, however, with a personal holding of 2,500 shares, controlled more than 50% of the shares, but this did not make Hardy Brothers (Group) Ltd a subsidiary.

Table 4.2 Shareholdings in Hardy Brothers (Group) at 31 July 1983

<table>
<thead>
<tr>
<th>Total Hardy Brothers (Group) shares</th>
<th>8,4000.660</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qintex Ltd Holding</td>
<td>4,199,830</td>
</tr>
<tr>
<td>Skase personal holding</td>
<td>2,500</td>
</tr>
<tr>
<td>Skase plus Qintex (&gt;50%)</td>
<td>4,202,230</td>
</tr>
</tbody>
</table>

Skase exploited ‘a loophole in the Companies Code … to the full’, in that it ignored individuals. Under strict application of the code Hardy Brothers was not a Qintex subsidiary.

Qintex does not control the board of directors … of Hardy Brothers (Group) because it has only got 49.994% of the shares … The fact is that Mr Skase controls the board of directors of both Qintex and Hardy Brothers (Group). Skase owns more than 50% of the shares in Qintex and therefore through Qintex Skase controls both the board of Qintex and of Hardy Brothers (Group).

Skase controls both companies and he sold a company that he controlled in one hand to a company he controlled with interrupted earnings for the year. In 1986/87 attempts were made to sell the jewellery operations, and the company was renamed Qintex America. Age 9/11/84:28; 10/5/85:21. AFR 9/11/84:98; 10/5/85:83; 18/11/85:22.

78 Skase in evidence and questions from counsel before the Australian Broadcasting Tribunal (1983), 2/2/84: 366-73.
80 Robson counsel assisting Australian Broadcasting Tribunal (1985a): 505.
81 Robson counsel assisting Australian Broadcasting Tribunal (1985a):506.
another hand and booked a profit of over $2m. This transaction resulted in a profit for Qintex for that financial year.  

In fiscal 1983 Hardy Brothers issued 350 Preference shares at a premium of $3,499,825 ($9,999 per share), with ‘a cumulative variable rate ... which were redeemable at the option of the company including the premium’, but gave no indication of who held them. The allotment of shares in Hardy Brothers (Group) Ltd was investigated by the Victorian Corporate Affairs Commission in 1983-84. The inquiry later extended to other aspects of the group’s activities before it was dropped without result.

Hardy Brothers had an unexplained Proprietary subsidiary B.Moliver Pty Ltd (inc. NSW), a ‘direct marketer’ whose launch was delayed by the then current lack of economic growth. Qintex took over this company, and another company Mahdom Pty Ltd, in fiscal 1981 when it established Swiss-Anglo Agencies Pty Ltd as ‘an importer-distributor of a select range of (Swiss and English) high quality products’. Hardy Brothers invested $1,645 for 100% of this company, which it apparently acquired along with the other jewellery businesses on 30 January 1983. It contributed $42,000 to Hardy Brothers’ profit in 1984 and a loss of $36,000 in 1985. It remained a subsidiary

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82 Robson counsel assisting Australian Broadcasting Tribunal (1985a):506.
84 Qintex Ltd Annual Report 1984:5.
85 Qintex Ltd Annual Report 1981:7. The report lists a number of brands of Swiss and other European watches and English china and antique silver.
of that company until the Qintex group collapsed in 1989. A company under that name was registered in New South Wales from 18 April 1955 until 23 November 1978 when it changed its name to B Moliver (Australia) Pty Ltd. The directors of this company from 1955 until it was dissolved in June 1993 were a Sydney couple who had no visible connection with Qintex. Although this is the only company of that name, the ASC historical record does not indicate any connection with Qintex.  

In 1983 Skase began his move to Queensland, whose ‘growth potential’, he considered, was ‘vastly superior to any other state in Australia’. He intended to ‘commit long term investment funds in Queensland’, based on an analysis of growth trends in that State, which he argued should exceed the national average in next the fifteen years. Queensland had ‘a positive free enterprise attitude’ which reinforced its ‘equitable climate’ and natural attractions, and its abundant land and natural resources. He predicted ‘dynamic growth’ in its tourism industry over the next decade. He intended to concentrate investment in the South East, and Northern parts of the State.  

Skase’s next attempt to become a television entrepreneur began in November 1982, a month after Qintex acquired Welmar, when IPH’s wholly owned subsidiary North Queensland Portfolio Pty Ltd acquired 19% of Telecasters North Queensland (TNQ). Qintex paid a ‘modest premium’ to the then current market price ($7.50 to $8), which the financial journalist, Terry McCrann, calculated ‘(did) not quite pay its way’ at current interest rate levels. The $4.4m paid for 19% of TNQ attracted $480,000 interest. On TNQ's 1981-82 results Qintex bought about $430,000 in

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86 Australian Securities Commission Company Extract 000 150 416 B Moliver (Australia) Pty Ltd.
88 In an off-market purchase from North Queensland Newspaper Co.
earnings and only $170,000 in dividends. These ‘casino capital’ facts did not appear to concern Skase.

Skase said that the acquisition took IPH into two important growth areas, communications and Queensland. He believed broadcasting and communications industry, ‘embracing existing media and future technology, should prove a sound long-term investment in Australia’. He said that North Queensland Portfolio Pty Ltd was incorporated specifically for investment in North Queensland, a rapid growth area, an idea generated by his visit there in 1970.

Qintex became TNQ's largest single shareholder, but the TNQ board was hostile, and refused Qintex board representation, pending the results of Qintex's application to the Australian Broadcasting Tribunal (Tribunal). It opposed Qintex’s application to the Tribunal with a series of defensive actions to bolster TNQ’s share price. It revalued the company’s assets twice (the second valuation by BT Australia Ltd was 51% above TNQ's then current market value of $14.37 a share, and assigned a monetary value to the radio and television licences); it made bonus share issues; it increased its interim dividend from 17.5c to 21c, and projected a higher final dividend despite predictions of decreased interim earnings. Its shareholder Queensland Press indicated it would increase its shareholding from 4.9% to block Skase if necessary. IPH, which held the TNQ shares, declared a 5% profit increase and paid a dividend.

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90 Age 17/11/82:19,33.
92 Skase in evidence before the Australian Broadcasting Tribunal (1983), 16/6/83:81-83.
93 This was necessary when a shareholding exceeded 15% of a television company AFR 27/1/83:34. Telecasters North Queensland Annual Report 1983: Notice of Annual General meeting.
94 In/12/82 Telecasters' assets were revalued by Knobl Real Estate Pty Ltd Townsville, and BT Australia was appointed to revalue it in/1/83. Age 9/2/83:16, 42; 8/11/83:59; 21/3/84:60. SMH 9/2/83:28.
95 In/2/83 TNQ announced that the interim profit had fallen about 6%. AFR 29/12/82:23; 9/2/83:16, 42; 8/11/83:59; 21/3/84:60. SMH 9/2/83:28.
97 Age 24/5/83:31. AFR 24/5/83:50.
In its application to the Tribunal Qintex tendered letters of support from a number of prominent citizens including Sir Lennox Hewitt, who became a Qintex director in fiscal 1987. Sir Lennox attended the Tribunal hearings as a private person. The *Australian Financial Review* retracted a claim that Sir Lennox was there to advise Qintex.

The TNQ board argued that the Qintex was not a ‘fit and proper person’ within the meaning of the Act to hold the largest shareholding in TNQ. It claimed that foreign persons (within s. 92d(3) of the Act) held a proscribed interest in Qintex and that the group was 'substantially and virtually exclusively, traders in assets', which derived most of its profits from the acquisition, and sale of ‘significant shareholdings in other (mainly listed) companies’.

The board commissioned accountant Max Powditch, an investment analyst with B.T. Australia Ltd, to analyse Qintex Ltd based on its Annual Reports.

Powditch’s analysis predates the major deregulation of the Australian financial system, which began in December 1983, and Qintex’s major expansion into the tourism and television industries. It provides an insight into Skase’s ‘flexible’ methods of operation, his management techniques, the company’s profitability at that time, and its use of ‘creative accounting’ techniques designed to increase the company’s apparent profits and conceal its real losses. Powditch also discusses Qintex’s high debt levels, which were disclosed on the Tribunal’s insistence.

Qintex made several changes to its accounting policies in fiscal 1982, after it changed auditors. Skase said that Qintex chose:

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98 This referred to 1981-1983 Annual Reports which showed pre-tax profits of $1.02m, $1.03m, and $2.14m respectively. In notes to the accounts for each of these years Qintex showed a surplus on the sale of investments of $1.5m, $1.32m, and $2.31m. *AFR* 3/2/84:58; 7/2/84:46; 21/3/84:60.
… to prepare the accounts in a manner that we as a board see fit, we have endeavoured to be consistent and we have presented them in a manner that we think is balanced in terms of the nature of the activities, and it is simply our decision and of course our right to decide how to prepare and present accounts.99

These changes and other elements preclude an accurate comparison between that year’s accounts and previous years.’ They include such issues as:

- the revaluation of IPH assets which obscured the profit on its assets’ sale
- unexplained losses of an unnamed subsidiary company which were not ‘written off’
- changes in charging for manufacturing expenses which apparently increase profits, and
- such issues as a previous year’s property renovation provision, which became a $280,000 profit in 1982.100

Powditch’s report conforms with Harvey’s interpretation of postmodern entrepreneurs.101 He argued that Qintex’s ‘risk profile’ considerably exceeded ‘the average company’.102 It made considerable losses in its business activities between 1980 and 1983, and disposed of major investments each year to generate a profit, before meeting its gearing commitments.103 Profits from the sale of investments ‘exceeded the total profits earned’ for those years. The major part ($2,293,000) of Qintex’s 1982/83 profit on the ‘in house’ sale of investments ($2,311,000) came from the sale of the jewellery subsidiaries discussed above.104 Powditch calculated that

101 Harvey: 223.
103 This referred to 1981-1983 Annual Reports which showed pre-tax profits of $1.02m, $1.03m, and $2.14m respectively. In notes to the accounts for each of these years Qintex showed a surplus of $1.5m, $1.32m, and $2.31m. In 1983 the $2.31m surplus derived mainly from the intra-group sale of Hardy Bros Ltd (Group). Qintex Ltd sold 96% of Welmar Ltd to IPH. Then IPH sold its wholly owned subsidiary Hardy Bros to Welmar. Welmar shareholders approved the purchase at an extraordinary General meeting on 31/12/82 for $4.02m. The purchase was effected by Welmar issuing 7.4m of its 50c shares at a 25c premium, with Qintex taking up 2.29m of these for 41.7m. For a capital outlay of $1.7m Qintex produced a surplus of $2.3m from the sale AFR 3/2/84:58; 7/2/84:46; 21/3/84:60.
104 The exact amount of profit generated in this ‘in-group’ sale is also obscured by Qintex’s internal accounting and reporting procedures. Qintex employed a category called ‘surplus on the sale of investments’, which had been ‘discussed and rediscussed with the company’s auditor’. This figure, which did not ‘equate with profit in the true accounting sense after allocation of costs’, was a gross figure from which a range of costs including management fees interest costs, legal fees, stamp duty etc. were not deducted. It was included among the statutory information in the notes to the accounts from 1978 onwards. Qintex’s definition of investments covered a range of possessions from property to shares. Qintex had ‘for (its) internal management purposes … various ascriptions of costs that (it)
without these sales Qintex would have recorded a loss before providing for its heavy debt commitments.\textsuperscript{105}

Skase was evasive about Qintex’s potential loss in fiscal 1983. He said he could not ‘answer … theoretically simply’ questions about it, because of other group activities. In an extraordinary statement for a Chief Executive he also said that he had ‘never been deeply concerned about the company’s profitability’ or ‘consciously addressed’ himself about keeping profits up. He cited PML’s profit of $1.3m, which exceeded the Qintex profit, but conceded that all the IPH companies and PML Property Trust had contributed only $259,000 to the consolidated profit for that year.\textsuperscript{106}

In 1982/83 Qintex’s gearing escalated to six times the previous year’s: its ‘annual commitment to interest ($265,000) and preference dividend payments ($541,000)’ rose to $806,000 in the its profit and loss account. Concomitantly investment income fell 30%. Skase said that the group had facilities with three banks, the National, ANZ, and Westpac, and traded with the merchant bank Tricontinental. He could not think of any others from which the group had made capital borrowings. The assets used as security varied with the company, which was borrowing and its activities, and with the lenders.\textsuperscript{107} Putland said that Qintex held a total of $7.45m in Commercial Bill facilities with Tricontinental. Qintex Ltd owed $3.9m and IPH owed $3.55m, secured principally by shares in PML. On or about 27 July 1983 IPH issued 425 cumulative redeemable preference shares at 50c each and a premium of

\textsuperscript{105} See Powditch, M (1983) Appendix 4, Appendix 5.
\textsuperscript{106} Skase in evidence before the Australian Broadcasting Tribunal (1983), 2/2/84: 338-340.
\textsuperscript{107} Skase in evidence before the Australian Broadcasting Tribunal (1983), 16/6/83:180.
$9,999.50, which raised about $4.25m.\footnote{Australian Broadcasting Tribunal (1985a):480.} In October 1983 Qintex issued 425 A class redeemable preference shares at 50c each and a premium of $9,999.50, raising $4.25m.\footnote{Australian Broadcasting Tribunal (1985a):481.}

One debt facility raised doubts about the control of Qintex’s TNQ shares. A debenture charge dated 5 October 1982 signed by Tricontinental Corporation Ltd, Tricontinental Holdings, Tricontinental Securities, IPH Investments, IPH Finance, and North Queensland Portfolio, apparently included North Queensland Portfolio assets (its TNQ shares) as security. This had apparently been set in place without consultation with Putland who denied any knowledge of it. It was not disclosed in the original application to the Tribunal. Skase later informed the Tribunal that Qintex had obtained Tricontinental’s agreement to release these assets. He had personally negotiated this matter with Ian Johns, then Tricontinental group general manager - banking, and Peter Massie, then Tricontinental group manager - corporate services.\footnote{Skase in evidence before the Australian Broadcasting Tribunal (1983), 21/7/83:265-266; 2/2/84:328.}

The TNQ Board’s argument that foreign persons held a proscribed interest in Qintex was based on the ownership of $1 Cumulative Redeemable Preference Shares\footnote{IPH undertook to repurchase those shares if they were ‘not redeemed on 30/11/85 or if IPH Investments Pty Ltd otherwise fail(ed) to comply with the terms upon which those shares have been issued’. Extract of Letter dated 8/7/83 from Messers Barker Harty & Co., solicitors, to the Australian Broadcasting Tribunal; cited in TNQ supplementary submission to the ABT.} issued, at a premium of $999 per share (total $4.25m), by IPH Investments Pty Ltd, the immediate holding company for North Queensland Portfolio, to the following merchant banks:

\begin{table}
\centering
\begin{tabular}{|l|c|}
\hline
Wardley Australia Finance Ltd & 2,000 shares \\
\hline
Australian European Finance Corporation (AEFC) & 1,250 shares \\
\hline
Elders Finance and Investment Co. Ltd & 1,000 shares \\
\hline
\end{tabular}
\caption{Preference shareholdings in IPH Investments Pty Ltd 1983\footnote{TNQ supplementary submission to the ABT.}}
\end{table}
Wardley was a subsidiary of the Hong Kong bank and a foreign group then owned AEFC.\textsuperscript{113} These were disclosed in July 1983 after Qintex made its application.

Qintex made a complicated series of transactions to circumvent the objection. IPH’s 100% owned subsidiary IPH Investments Pty Ltd changed its name to Cedrus Pty Ltd before 28 July 1983. The same day IPH sold 5,000 $1 ordinary shares in Cedrus (whose total issued capital was 10,000 ordinary shares and the 4,250 cumulative redeemable preference shares mentioned above) to Miksam Pty Ltd. Cedrus sold all its shares in North Queensland Portfolio to IPH which issued 425 50c Cumulative Redeemable Preference Shares at a premium of $9,999.50 per share in exchange. Putland told the Tribunal that Miksam was independent of Skase’s interests. Skase, Burden and Curtis, however were all on its board and Putland was its secretary. Maskim Pty Ltd, whose registered office was Qintex House, held 50% of Miksam’s capital and Four Hundred Lonsdale Nominees (owned by Burden and Skase) held the other 50%.\textsuperscript{114} IPH listed Cedrus, Miksam and Maskim as subsidiaries in its 1986 annual report.

Before the Tribunal handed down its decision Qintex purchased Universal Telecasters (Channel 0 Brisbane), in May 1984 (see below), and sold its TNQ holding.\textsuperscript{115} The Tribunal announced on 23 August 1984 that it would not proceed to make findings.

Skase continued his established pattern when he created a vehicle for Qintex’s television interests eight months after its investment in TNQ. In July 1983 IPH subsidiary IPH Queensland Ltd acquired 19.9% of the Queensland listed company

\textsuperscript{113} TNQ supplementary submission to the ABT.
Wilkinson, Day and Grimes Ltd (Wilkinson), which had a large cash reserve of about $5m following an insurance settlement for a sawmill fire. Its core business was forestry and timber but its other activities included travel agencies, furniture retailing and hardware shops. Three months later Qintex, with 33%, had control and appointed a new board.

IPH made a partial takeover offer for 50% of Wilkinson, to be financed by facilities arranged with Tricontinental Corporation Ltd. Wardley Australia again supplied the independent report, and pronounced the offer reasonable but not fair. The partial bid closed in February 1984 when IPH held 49% of Wilkinson. Asset stripping began a month earlier, however, with the sale of Wilkinson’s travel and real estate agencies at a price over their book value; the Day and Grimes furniture and hardware outlets were sold in April. Residual timber, property and equity investments were placed in a subsidiary Walstacey Pty Ltd for future activity. The company did not pay a dividend in 1983 or 1984.

Qintex expanded its business activities in Queensland. In fiscal 1984 it established offices at Comalco Place in Creek Street in Brisbane’s financial district.

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115 The shares were sold to Asset Mobilisation Pty Ltd, Macpart Nominees (McIntosh bought the shares for themselves and later sold them to institutional investors), and Otway Investments Number 4 Pty Ltd. Skase in evidence Australian Broadcasting Tribunal (1985a):483.
117 All share transactions were through McIntosh. Skase was chairman, directors were Peter Burden (director of Qintex, IPH, PML, and Hardy Brothers), Stefan Borzeki (Qintex group investment manager), and Geoffrey Putland (Qintex financial controller).
118 IPH Finance Pty Ltd had 2 facilities totalling $5m with Tricontinental, and IPH had an unused facility on bill line of $100,000. The Qintex group also had $785,070 on 24 hr call with Tricontinental according to the part A statement. *Age* 26/11/83:25. *Australian* 28/11/83:11; 12/1/84:11. *Australian Financial Review* 12/1/84:25, 13/1/84:41. *SMH* 26/11/83:34.
119 This was necessary because Skase and Burden were directors of both companies. Wardley’s senior corporate lending manager moved to Qintex, late 1984, early 1985. *AFR* 22/1/85:38; 24/7/87:15.
120 Wardley director J.W. Tomkins said the offer of $1.15 was low. They assessed the value of the adjusted net assets at $1.29/share, although liquidation of those assets might not realise that figure; the $1.15/ share offer was reasonable in the absence of a higher offer. *Australian* 20/1/84:11; 26/1/84:13; 17/4/84:13. *AFR* 20/1/84:52; 17/4/84:63.
121 *Age* 1/2/84:22; 4/2/84:21.
This became its head office on 1 January 1986, after Qintex was short-listed in the
bidders for the Port Douglas resort. The Qintex offices, which reputedly cost $2m
to ‘fit out’, occupied two floors of the building. The public areas reflected post-
modern decoration values and the ‘postmodern technique of superimposition of
ontologically different worlds’, with a diverse assortment of artefacts and
designs, with its Brazilian marble floors, its Ming dynasty wall panels, its blue
marble desk, its Egyptian artefacts and other objects d’art.

It was a matter of fourth time lucky for Skase when he ‘made it’ as a television
entrepreneur on 4 May 1984. IPH’s the newly ‘cashed up’ subsidiary
Wilkinson, acquired Universal Telecasters Queensland (which operated
Channel O (now 10) Brisbane), for $34m (nearly 40 times Universal’s annual
earnings released in May 1984), after a thorough financial and business
analysis. The offer was made on 1 May 1984, accepted on 4 May, and Qintex
‘settled in full’ 45 days later. The Australian Broadcasting Tribunal hearing to
approve the purchase, held in 1985, provides more insight into the group’s
dynamics.

Initial finance came from a $24m finance facility with Wardleys, arranged to
cover any contingency before Qintex made the offer. Before settlement Wilkinson
made a non-renounceable 3-for-2 rights issue (underwritten by IPH Queensland Pty
Ltd), and a private placement of 1m 50c shares and options at $1.25. This raised
$23m, half of which was subscribed by the public, the rest by IPH, which lifted its

124 Harvey: 64.
126 At that time Qintex held 52% of IPH, which held 48.8%. Wilkinson Day and Grimes (this was increased to
50.7% in 7/84, following a cash issue. Skase chaired all three companies. Before the bid was announced
Wilkinson Day and Grimes was capitalised at $14.6m on the sharemarket, IPH at $15.2m and Qintex at $4.2m.
AFR 7/5/84:52.
127 Qintex was the highest bidder when Ampol sold it by tender.
128 Wardley had previously valued two intra-company transactions: the sale of Hardy Brothers to Welmar and the
offer for Wilkinson Day and Grimes. Its senior corporate lending manager moved to Qintex in late 1984. AFR
holding above 50%. The equity issue almost trebled its issued capital and raised its
capitalisation from $5.2m to $14.9m.\textsuperscript{129} IPH borrowed $12m from Wardley to cover
its entitlement and the shortfall. After the rights issues the IPH and Wilkinson each
repaid the $12m it owed Wardley, leaving Wilkinson still owing Wardley $12m.\textsuperscript{130}
Skase said in October 1985 that the group paid $34m for TVQ0 and borrowed almost
all of that, and followed it through with a $23m share issue. Wardley’s funded the
acquisition.\textsuperscript{131} It went from a point of high gearing of over 90% to a point where the
borrowing was reduced to 33%.\textsuperscript{132}

In August 1984 Wilkinson was renamed Universal Telecasters Ltd (UTL);
Universal Telecasters Queensland Pty Ltd was its wholly owned subsidiary. Skase
was executive chairman, R. Campbell was appointed managing director and Graham
Lusk financial controller.\textsuperscript{133} Before balance date, 30 June 1984, the directors valued
the television licence at $37.5m. This was less than two months after the company
had paid $34m for the television company, which had net assets valued at $4m.\textsuperscript{134}

Skase divided his working week between Victoria and Queensland, ‘with a
weighting towards Queensland’. He spent one day per week on the station. He
supervised its overall direction and helped decide its financial requirements. He met
Campbell and Lusk weekly to authorise capital programs as required between
monthly board meetings. He lent the experience he had gained as a (non-executive)
director of Southern Cross Television (formerly VBN).\textsuperscript{135}

\begin{footnotes}
\item \textsuperscript{131} AFR 28/10/85:14.
\item \textsuperscript{132} AFR 28/10/85:14-15.
\item \textsuperscript{133} Lusk had been with the television station for about 20 years; he had an extensive knowledge of the Act. Burden was deputy chairman. He attended monthly board meetings, and provided legal advice to the executive particularly in areas pertaining to licence renewal inquiries. Australian Broadcasting Tribunal (1985a):29, 65-67.
\item \textsuperscript{134} The value of the licence does not include the value of the land, buildings and equipment associated with the company. Universal Telecasters Ltd \textit{Annual Report} 1984:2, 19, 22.
\item \textsuperscript{135} Australian Broadcasting Tribunal (1985a):64-65.
\end{footnotes}
Skase was aware of the value of good staff relations. He addressed himself to the inherited problem of low staff morale, which affected the TVO’s overall performance. He met and spoke to the staff and encouraged them to contact him personally to express their views about the station. He responded to each one, ‘knew an awful lot of their names’, and ‘… gave them a sense that they had something to work for’. An overall improvement in performance reflected improved staff attitudes.\textsuperscript{136}

Skase initiated ideas in the group. He expanded UTL with the takeover of Wide Bay-Burnett television in July 1985.\textsuperscript{137} Wide Bay had $27m in assets including $8m cash. It held the licences for SEQ-8, SEQ1,5 &10 on Queensland’s Sunshine Coast. In August 1985 UTL paid about $10m for exclusive rights to television coverage of Brisbane’s Expo 88. It sold coverage to News Corp's TEN network stations in Sydney and Melbourne and ASS in Adelaide\textsuperscript{138}.

IPH maintained its UTL holding above 50% after the Wide Bay takeover. UTL issued it with options for up to 18.8m new shares at $1.95 (They had recently traded at $2), which the merchant banker Kleinwort Benson judged ‘fair and reasonable’ based on its assessment and talks with Universal management.\textsuperscript{139} Universal IPH 65% underwrote UTL’ rights issue at $1.70 in July 1985 and took up the shortfall so that it acquired 5.25m Universal shares at $1.70, lifting its stake from

\textsuperscript{136} Campbell in evidence Australian Broadcasting Tribunal (1985a): 77-83.
\textsuperscript{137} The initial offer of $10 cash or 11 Universal shares for 2 Wide Bay in May, four days after Universal announced that it had lifted its profit 1355%, was increased to $11 cash or 11 universal shares plus $4 cash for 2 Wide Bay. The share offer depended on IPH Qld obtaining shareholder approval for an option grant to maintain its Universal shareholding above 50%. Age 8/5/85:29. According to the Age and the Australian Skase has expressed interest in acquiring Murdoch's Sydney and Melbourne television interests; but it was hypothetical as HWT (Newscorp) was not interested in selling. Age 22/6/85:21. Australian 4/5/85:27; 8/5/85:15. AFR 6/5/85:59; 3/6/85:66; 17/6/85:68; 19/6/85:58; 26/6/85:58; 11/7/85:54. SMH 6/5/85:19.
\textsuperscript{138} AFR 5/8/85:54.
\textsuperscript{139} Universal pre-tax profits were estimated to be $5.05m in the year to 30/6/85, and $7.01m and $9m for the next two financial years. They estimated consolidated maintainable earnings in the future to be between $3.3m to $3.6m, the lower figure allowed for the proposed sale of the timber interests. Kleinmert Benson also provided the valuation for Sunstate Resources purchase of Universal’s Wilkinson hardware and timber operations. AFR 21/5/85:64.
50% to 59%. Skase said the shortfall did not mean lessening outside interest and pressure on the share price. Universal declared an interim profit increase of 1355% (sic!) in May 1985. Skase said later that IPH paid $35m for Wide Bay and 40% of the shareholders took shares reducing the cash cost to 60%. It followed that with a $27m share issue.

Qintex established Sunstate Resources Ltd in March 1985 to house the residual Wilkinson timber and hardware operations using the Maryborough hardware group G. Horsburgh and Co. Ltd (Horsburgh). IPH subsidiary Walstacey Pty Ltd made a $6.50 a share take over offer for Horsburgh. Its offer was opposed by two counter offers, and Qintex raised its offer to $8.30 and gained 52.2%. Hookers then sold its 18% holding through McIntosh to enough buyers to retain its listing with Qintex in control. The Qintex group raised $3m of the finance for Horsburgh from the facility arranged with Wardley for the UTL purchase.

Qintex then restructured Horsburgh. It converted issued capital from 497,664 $1 units to 995,328 50c ordinary shares; it increased authorised capital from 2m 50c ordinary shares ($1m) to 100m shares ($50m); it issued 497,664 bonus shares in the ratio of one for each two shares held; then made a 5 for 1 rights issue at $2 per share (7,464,960 shares); and issued 170,000 contributing shares paid to 1c. The company

140 They also ‘took McIntosh (who had offered the chance to on sell at $1.70 to Wide Bay shareholders who took Universal shares) out at cost’, and bought a further 2.5m share on market to lift its stake Age 16/10/85:25. AFR 17/10/85:23.

141 AFR 28/10/85:14-15.

142 The offer followed a slump in Horsburgh profits, and reduced the dividend by 43%, for the 1984 financial year. The offer was conditional on Qintex gaining 50.1%. Before the slump Horsburgh shares had traded at around $4.60. AFR 6/11/84:61; 6/12/84:46.

143 Shortly after the Universal offer Pacific Fair shopping centres, a joint venture between Hooker Corp and two regional retailers, made an on market offer. Carricks, the Brisbane timber group made third offer a week later. A large parcel of these shares came from the Brisbane broker Josephson Wright, who had accumulated them somehow. Age 20/11/84:40; 24/11/84:19; 6/12/84:24. Australian 20/11/84:17. AFR 6/11/84:61.; 8/11/84:70; 20/11/84:78; 30/11/84:74.

invested the moneys raised by the share issue in short term equity investments’.  

Sunstate paid Universal $11m for the remaining Wilkinson businesses. Merchant banker Kleinwort Benson again advised Australia Ltd on the fairness of the price.  

In November Morgans gave Sunstate a positive label and recommended it as a Queensland based stock to watch.

Sunstate Resources was never listed as a Qintex group subsidiary but the IPH chairman's reports for 1985 and 1986 mention it. In fact Qintex reduced its Sunstate holding from 51% to just under 50%, but still retained absolute control through the issue of 250,000 shares to Qintex executives at $2 per share. This avoided consolidation, but allowed inclusion of the proceeds of the sale of the timber business in Universal’s profits.

In October 1985 Skase described Sunstate Resources as;

'a classical piece of counter cyclical opportunity. (It) came in 82-83 after the building boom collapsed, walked into the old Wilkinson, Day and Grimes and saw an industry where elsewhere in Australia there is one major operator in each state. The industry in Queensland was totally fragmented and (it) set about not only turning around the old Wilkinson Day and Grimes but judiciously adding to it ... (it had) the biggest forestry reserves in Queensland under (its) control ... (Wilkinson) was well researched and well bought.'

He suggested that it would take two years to achieve their 'optimum position there'.

Qintex sold its Sunstate holding in fiscal 1987.

In March 1985 Hardy Brothers (Group) Ltd gained control of Nettlefolds Ltd, Tasmania’s largest car dealer, through its subsidiary Hardy Brothers Securities Pty Ltd (formerly IPH Securities Pty Ltd), with an offer of $2.10 per
share. After Hardy Brothers had gained control Nettlefolds became a Qintex group subsidiary and changed its balance date to 31 July to conform with the other Qintex group companies. Qintex acquired its first holding in Nettlefolds in August 1982, and became its second largest shareholder after Nettlefolds family interests (including those of its chairman Dudley Braham also a Qintex director). It then had declining earnings but an asset backing of $1.80 per share, double its market price. In February 1983 IPH lifted its stake in Nettlefolds to 10.2%, and Skase was appointed to the board. When combined with Braham’s interest Qintex controlled 33% Nettlefolds. In November 1984 the directors opposed a takeover offer for Nettlefolds at $1.50 a share from IPH Securities.

When IPH Securities Pty Ltd made its offer for Nettlefolds, it was an IPH subsidiary. A month later IPH transferred its interest to Hardy Brothers. IPH Securities’ only asset was its Nettlefolds holding. Despite the increase in Nettlefolds share price since it acquired the shares IPH did not record a surplus on the sale of IPH Securities to Hardy Brothers. It ‘was sold on the basis of net value of those shares: the value of assets less the value of the liabilities’. It became Hardy Brothers Securities Pty Ltd.

The takeover attempt escalated in 1985 with a revised bid, which Nettlefolds directors opposed. Braham said it was too low. Qintex gained control with an offer of $2.10 in March. In November 1985, Hardy Brothers offered $2.15 per share for all of Nettlefolds’ shares. Braham refused to sell his

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shares and resigned from the Qintex board. The following month Wallaroy Investments Pty Ltd offered $2.20 a share.\textsuperscript{156}

In January 1986 Hardy Brothers sold its Nettlefolds shares to United Motors (Holdings) Ltd giving making a $3m profit. United Motors paid Qintex $2.30 a share in a special sale through McIntosh, soon after it launched a takeover offer at $2.20. The Tasmanian Corporate Affairs Commission and the NCSC, investigated the sale for breaches of Section 11, and Section 42. On Wallaroy application the Victorian Supreme Court froze the shares. Wallaroy alleged that United and Qintex might have made a prior agreement over the sale of the controlling interest in Nettlefolds.\textsuperscript{157} The Court froze all Nettlefolds’ capital when Wallaroy investments sought an injunction after United Motors bought another 28%, apparently from Braham at $2.30. Braham rejoined the Qintex board.\textsuperscript{158}

The group established a treasury department, under the umbrella of IPH Finance Pty Ltd, to undertake a whole series of functions in relation to the group. Sir Lennox Hewitt provided ‘considerable assistance in its creation. Skase anticipated that it would be established completely in 1986. At balance date, 31 July 1984 IPH Finance had paid up capital of $2, a bank overdraft of $20 and owed $2.255m on current commercial bills. It raised two provisions, for research and development ($3m), and for contingencies ($2m).\textsuperscript{159}

To give the treasury department, IPH Finance, some respectability in the business community Skase attempted to claim continuity, credibility and reliability


\textsuperscript{157} Weekend Australian 1/2/86:26.


\textsuperscript{159} Skase in evidence Australian Broadcasting Tribunal (1985a):565-567, 598, 605.
dating from IPH’s foundation by Frank Irving and Francis Foster in 1949 (ignoring that Qintex gained control of the company in 1982).

The signature of IPH is well respected, well regarded; the group has had borrowings; the group has had money on deposit in one form or other since … 1949. So that counts for something.\textsuperscript{160}

This company included a financial services and management division within its role of treasury department.\textsuperscript{161} It was the Qintex mirage’s ‘in-house negotiator and arranger of financial facilities’.

IPH Finance (received) money from outside parties and it (on lent) to different parts of the group … (it set) itself up in (a) quasi-merchant banking role where it (had) funds sitting on deposit … (it was) engaged in the organisation of borrowings and on-lending and the placement on deposits of millions of dollars.\textsuperscript{162}

Although it did not apply for a foreign exchange licence it was intended to provide the group’s ‘own full foreign exchange risk management’.\textsuperscript{163} It was to assume the responsibility for expenses such as interest and exchange rate movements and investment losses within the whole group.\textsuperscript{164} Richard Capps, a London law graduate with merchant banking experience in London, New York and Australia, was appointed the group’s treasury manager in January 1985.\textsuperscript{165} IPH Finance charged the other companies in the group fees for its advice. In six months after Capps joined the treasury department there was a quantum increase in activity … the major projects … (were) all launched post January 1985 - Andalusia Park, Wide Bay, Barrier Reef.\textsuperscript{166}

\begin{footnotesize}
\textsuperscript{160} Skase in evidence Australian Broadcasting Tribunal (1985a):624.
\textsuperscript{162} Skase in evidence Australian Broadcasting Tribunal (1985a):623.
\textsuperscript{164} Skase in evidence Australian Broadcasting Tribunal (1985a):599.
\textsuperscript{165} Skase in evidence Australian Broadcasting Tribunal (1985a):605,630, 637.
\textsuperscript{166} Skase in evidence Australian Broadcasting Tribunal (1985) :637. Andalusia Park was the site of the Gold Coast Mirage Resort built is 1986/87, Wide Bay was television company acquired in 1985, and Barrier Reef was a radio broadcasting company acquired in 1985.
\end{footnotesize}
The Horsburgh acquisition was also completed at that time and Sunstate Resources established, for which IPH Finance received a fee.

An early example of IPH Finance’s contribution was its advice to Universal Telecasters Queensland Ltd (UTQL) to take out forward exchange rate cover in late 1984, and its subsequent negotiation with Wardley on behalf of UTQL, which had no previous experience of that type of transaction. IPH Finance underwrote UTQL’s costs in the transaction ‘to the extent that UTQL’s fees were covered if the exchange rate did not move at all’. This was arranged in correspondence between the two companies, but not subject to contract. UTQL paid IPH Finance a fee for its management advice. There was a contract between UTQL and Wardley, who’s acted as an agent ‘acquiring the foreign exchange, fixing the rate’. The transaction saved UTQL over $250,000.167

The provision for research and corporate development mentioned in Chapter 2 the group became ‘a permanent part of the group’s accounts and accounting policies’,168 from July 1984. That year IPH Finance made the provisions mentioned above and IPH made a $1m provision for investment fluctuations. In 1984, after Qintex gained control, UTQL made provisions totalling $1.4m for contingencies and business rationalisation to be spread across three years. These provisions were written back in the seven months to 31 January 1985 and may have contributed to a $1.9 operating profit for that period.169 This was greater than that of its parent UTL ($1.8m), which possibly carried some interest costs from the purchase of the station.170 In May 1985 the consolidated balance sheet of UTL showed liabilities of

$25.246m and a bank overdraft of $1.648m. At the prevailing interest rate of 14.5% servicing requirements would have been $3.9m.\footnote{Campbell suggested that the interest rate was less than 14.5%. Australian Broadcasting Tribunal (1985a): 31-32, 33.}

Australian Accounting Standards did not define provisions clearly. It was a matter of interpretation. The group’s auditors, Duesburys did not qualify the accounts and accepted Qintex’s interpretation. In contrast, however, another accountant,\footnote{Mayberry, an accountant with the firm Ernst and Whinney, was employed by the Tribunal to analyse Qintex group financial information.} said that the provisions were not proper ‘on his interpretation’ and that he would have considered it more appropriate to have created reserves instead of provisions for those amounts.\footnote{Australian Broadcasting Tribunal (1987) \textit{Report TVQ-0 Brisbane}:35,47-48.}

Qintex intended to expand its media interests to include radio. UTL acquired Barrier Reef Broadcasting Pty Ltd the owner operator of radio station 4MK Mackay in June 1985. Simultaneously a bitterly contested attempted takeover of AWA began in January 1985 and continued through 1986. During 1985 both Qintex and the Bell affiliate, J.N.Taylor, acquired AWA shares through McIntosh. The Broadcasting and Television Act restricted Qintex's holding as long as AWA held a television licence (station QTQ9, later sold to Bond Corp).\footnote{The Broadcasting and Television Act limited electronic media ownership to two television and eight radio stations. At that time Qintex held two television stations TVO, Brisbane, and SEQ8, sunshine Coast. \textit{Australian} 1/5/86:16.}

Concurrent with its developing television interests Qintex also started its tourist operations. Skase argued that far North Queensland, the Whitsunday Island area and the Gold Coast would become dominant tourist attractions in a ‘world sense’, and developed plans to target the top end of the international tourist market with two five star international beach front resorts in Queensland, one on the Gold Coast
($50m) and the other at Port Douglas ($85m).\textsuperscript{175} The Gold Coast development was planned for 4.23 hectares of land on the Southport Spit, purchased in March 1985.\textsuperscript{176} The following September Qintex won the tender for a resort to be developed on 80 hectares of beachfront land at Port Douglas, where Skase had drawn his picture in the sand fifteen years earlier.

Qintex’s subsequent involvement with the tourism industry and the conversion of PML into Mirage Resorts Trust are discussed in more detail in the next chapter. This will be discussed with particular reference to Qintex’s relations with the Queensland Government and state involvement in the tourist industry.

In 1985 Skase had controlled Qintex for ten years, and was offered a 10-year management contract, and Qintex issued Kahmea Investments 750,000 contributing shares, at $3 each paid to 1c.\textsuperscript{177} The September quarterly accumulation index for Qintex, which followed the return to investors in the company from 30 April 1975 to 30 September 1985, showed a rise of 8,700%, which adjusted to 3,200% allowing for inflation, compared with a Statex-Actuaries Accumulation index increase of 630% and an estimated All Industrial Accumulation index rise of 880%.\textsuperscript{178} Qintex had grown from a small Tasmanian retail company, capitalised at $510,682\textsuperscript{179} with $475,000 assets and a loss of $40,000 in fiscal 1974, and a share price of 2c,\textsuperscript{180} to a group with assets worth $180m spread across five sectors (see Table 4.4) which declared a net profit of $5.4m in fiscal 1985.\textsuperscript{181} The parent company, Qintex Ltd had an issued capital of $2.7m, and a share price of $5.30, and several listed subsidiaries.

\textsuperscript{175} Skase in evidence Australian Broadcasting Tribunal (1985a)(377-377).
\textsuperscript{176} From Hans van der Drift who was operating it as Andalucia Park (he bought it from Keith Williams about 1982).
\textsuperscript{177} This was to be ratified at an extraordinary general meeting and would raise the Skase family interests from about 50% Qintex to about just under 60%. Age 21/2/85:21. AFR 21/2/85:54. SMH 21/2/85:19.
\textsuperscript{179} With an issued capital, and a market value, of $510,682 based on a share price of 10c.
\textsuperscript{180} 8c allowing for the effect of one in five consolidation and share issues between 1979 and 1985.
\textsuperscript{181} Qintex Ltd Annual Report 1985 :1.
in a pyramid below it.\textsuperscript{182} Qintex held 57.3\% IPH. IPH held: 60\% UTL; 55.6\% PML; 49.9\% Sunstate Resources; 49.9\% Hardy Brothers (which held 57\% Nettlefolds).\textsuperscript{183} The expansion policy revolved around specific Australian industries, in defined Australian geographic regions.\textsuperscript{184}

Table 4.4. Spread of group’s assets (Each area of activity contributed between 15\% and 25\% of the group’s reported profits) 1985\textsuperscript{185}

<table>
<thead>
<tr>
<th>Area of Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media (Universal Telecasters)</td>
<td>$80m</td>
</tr>
<tr>
<td>Trading (Hardy Brothers Group, and Nettlefolds)</td>
<td>$40m</td>
</tr>
<tr>
<td>Resources (Sunstate Resources)</td>
<td>$20m</td>
</tr>
<tr>
<td>Property (PML Property Trust)</td>
<td>$20m</td>
</tr>
<tr>
<td>Portfolio (conducted and managed by IPH)</td>
<td>$20m</td>
</tr>
</tbody>
</table>

Skase argued that ‘intelligent diversification’ decreased the risks, endemic in the ‘turbulent economic climate’. Diversification occurred as Qintex was expanded concurrently on several different fronts. This sort of haphazard diversification was a feature of postmodern expansion through dispersal and flexible accumulation\textsuperscript{186} which Skase and other 1980s entrepreneurs exploited, but Skase retained some sort of overall rationale to his diversification.

Qintex had constant cash flow problems and moved money within the group to maintain liquidity. Skase claimed that it had ‘never ever been undisciplined to the extent that’ it made offers without first arranging finance.\textsuperscript{187} The group raised capital through the issue of preference shares, which were Skase’s alternative to, and method

\textsuperscript{182} And a market value of $16,599,246 based on 5,533,082 at $3.
\textsuperscript{183} AFR 13/1/86:32.
\textsuperscript{184} Each investment was carefully selected and researched and concentrated on Australian by North Queensland Portfolio Pty Ltd of 1,508,900 Ordinary Shares in Telecasters North Queensland Ltd Brisbane, Commonwealth Reporting Service, 16/6/83:81-83
\textsuperscript{185} Skase in evidence Australian Broadcasting Tribunal (1985a):325, 401.
\textsuperscript{186} See Harvey:145.
\textsuperscript{187} Skase in evidence Australian Broadcasting Tribunal (1985a) (380-385).
of disguising, debt. It also raised about $100m by creating new equity, and issuing new

<table>
<thead>
<tr>
<th>June 1984</th>
<th>Universal Telecasters</th>
<th>$23m</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 1984</td>
<td>IPH</td>
<td>$11m</td>
</tr>
<tr>
<td>November 1984</td>
<td>HB Group</td>
<td>$2m</td>
</tr>
<tr>
<td>November 1984</td>
<td>Qintex Ltd</td>
<td>$2m</td>
</tr>
<tr>
<td>April 1985</td>
<td>IPH</td>
<td>$4.7m</td>
</tr>
<tr>
<td>April 1985</td>
<td>Qintex</td>
<td>$8,000</td>
</tr>
<tr>
<td>May 1985</td>
<td>Sunstate Resources</td>
<td>$15m</td>
</tr>
<tr>
<td>September 1985</td>
<td>IPH</td>
<td>$16.7m</td>
</tr>
<tr>
<td>September 1985</td>
<td>UTL</td>
<td>$27.7m</td>
</tr>
<tr>
<td>September 1985</td>
<td>Qintex Ltd</td>
<td>$7m</td>
</tr>
<tr>
<td>September 1985</td>
<td>Qintex Ltd</td>
<td>$21,000</td>
</tr>
</tbody>
</table>

shares (table 4.5) in the fifteen months to September 1985. All these were underwritten and were about 50% public subscribed. Bonus issues of shares189 preceded many of the rights issues.190 Skase tendered a liquidity profile prepared by his new treasury department to satisfy the Australian Broadcasting Tribunal inquiry into the acquisition of TVO that Qintex could maintain adequate liquidity.

| Table 4.6 Qintex Group reported liquidity191 |


189 IPH ISSUES
a) January 1985 IPH made a 1-for-10 bonus and a 2-for-3 cash issue.
b) It then placed 1.2m shares to Qintex to reduce a loan account arising from the transferral of equity in the group.
c) In July a 2-for-5 issue at $4 with an attached option.
d) Then another 1-for-10 bonus issue.
e) In 1/86 shareholders were asked to approve a placement of 1.9m shares to institutions and 5.6m shares to Qintex, this will increase Qintex's equity from 57% to 63%, and raise $30m.

190 UNIVERSAL ISSUES
a) Shares for the takeover of Wide Bay.
b) 4-for-9 new issue at $1.65 (plus options). IPH took up 3.7m shares from the underwriting shortfall.

191 PML ISSUES
a) In 9/85 it said it would announce details in a few weeks of a new issue.

SUNSTATE RESOURCES
a) Acquired Wilco interests at start of 1985 and made a 5-for-1 issue at $1.50.

QINTEX LIMITED
a) Bonus issue in 1985.
c) a placement of 11.5m shares at $4.85m.
d) also contributing shares in 1985 a placement of 750,000 (at $3 paid to 1c); and a placement of 2.1m (at $4.85 paid to 1c) AFR 13/1/86:32.


<table>
<thead>
<tr>
<th></th>
<th>31 July 1984</th>
<th>31 January 1985</th>
<th>31 May 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash deposits</td>
<td>$2.1m</td>
<td>$16.8m</td>
<td>$35m</td>
</tr>
<tr>
<td>Current assets</td>
<td>N/A</td>
<td>$51.4m</td>
<td>$74m</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>N/A</td>
<td>$39.2m</td>
<td>$48.8m</td>
</tr>
<tr>
<td>Current account</td>
<td>-$12.7m</td>
<td>+$12m</td>
<td>+$27.2m</td>
</tr>
<tr>
<td>Current ratio</td>
<td>0.75c for every $1</td>
<td>1.31:1.00 (Assets 31% above liabilities)</td>
<td>1.58:1.00 (Assets 58% above liabilities)</td>
</tr>
</tbody>
</table>

This included all short-term assets including cash, trade debtors, and other forms of current assets, as current assets. It included a number of liabilities that:

in a technical or strictly technical sense are current in that a particular facility may be designated to conclude on … a period within one year of a particular date.

Skase said that finite limits were set by banks to ‘accord with medium term financial planning’ and in practical terms a number of liabilities were overstated because they carried the opportunity to be rolled over.\(^{192}\)

Skase said that the group had $35m total free cash deposits on 31 May 1985, plus $42m in undrawn credit facilities with ‘leading trading banks and merchant banks’.\(^{193}\) He said that the group’s arranged borrowings had approached a total of $100m since 1975. In that time neither the group nor a particular member has missed an interest payment; nor had they breached or been in default of any loan agreement.\(^{194}\) It is possible, however, that some of the interest may have been capitalised. Skase did not mention that, but he did say that he ‘(did) not think anyone yet has suggested that it is improper to capitalise interest against certain projects’.\(^{195}\) He considered capitalisation of interest to be an ‘alternative treatment’ to expense.\(^{196}\) He did not

\(^{193}\) Skase in evidence Australian Broadcasting Tribunal (1985a):335-339, 340. This referred in part to the credit facility arranged with Tricontinental specifically to fund the attempted AWA takeover which was later redirected to other purposes. See Chapter 2.
\(^{194}\) Skase in evidence Australian Broadcasting Tribunal (1985a):341.
\(^{195}\) Skase in evidence Australian Broadcasting Tribunal (1985a):408.
relate ‘the decision to capitalise … to the expected size of the group’s profit on a transaction in any one year’. 197

He argued that:

It is quite allowable … to capitalise interest and indeed any other costs in connection with an investment project to a partial amount or to a full amount, certainly without any qualification up to the time that that investment project reaches a point of finality or determination or revenue starts to accrue or whatever.198

Skase had a cavalier attitude to debt. With reference to the group’s gearing he said:

[we] work within certain broad ratios but we do no have cast in cement a gearing ratio … that we do not go above or below. We look at business as a continuing thread and we have our broad parameters that we operate within … we do not … address these things every three minutes … these big issues are really only addressed in substantive form once a year.199

Skase did not indicate if any of the liabilities from 1 July1984 had been ‘rolled over’. He did argue that if the current liabilities were adjusted for facilities the group intended to roll over ‘in accordance understandings and agreements’ then the ratio would be 100% over liabilities. At 31 May 1985 the tax payable was less than 10% of its $35m cash deposit and the group had undrawn credit facilities of $42m.200

Qintex’s debt commitments escalated between 31 January and 31 May 1985. In January 1985 the group had interest bearing loans of $27m and preference shares of $12m with annual funding costs of $5.5m. At that time the group needed the income generated from UTL to pay its preference dividends. At 31 May, however the group’s interest bearing loans had risen to $40m, and $12m in preference shares, with annual

finding costs of $7.3m. At that time Skase claimed that the group had sufficient earnings to pay its preference dividends without including the UTL income.\textsuperscript{201}

The sale of investments generated $2m of Universal’s $2.5m earnings in fiscal 1985, but it is difficult to ascertain which investments. The group’s policy for reporting purposes treated all its property and plant as investments, and included gains and losses from their sale in the profit. Profits were expected to improve with the acquisition on balance date of Wide Bay Television, which earned a pre-tax profit of $1.9m in 6 months to 31 December 1984, and of Mackay radio station, which had a fiscal 1984 pre-tax profit of $677,000.\textsuperscript{202}

To maintain his personal holding in Qintex Ltd after each rights issues and new share issue, Skase had to borrow. In May 1985 his private companies required about $330,000 to finance their borrowings. To service this debt Qintex needed to distribute about $770,000 in ordinary dividends, which exceeded its capabilities. Skase explained that certain companies within the group paid fees to his private companies for some services and that the income from those fees was sufficient to service the debt.\textsuperscript{203} Skase was charged over the unauthorised payment of fees to Qintex Group Management Services in 1989.

At the beginning of 1986 Skase moved the Qintex group head office to Queensland, but Hobart remained its home exchange.\textsuperscript{204} On 10 January 1986 Qintex's share price rose, from $5.20 a week earlier, to $6.50, giving it a price-earnings ratio of 108.3 on the 1985 profits, allowing the same payment on preferences. Qintex earned $1.1m in 1985 of which $723,000 came from UTL. The operating assets were held through Qintex's 57.3% interest in IPH, which lifted profit 18% to $1.2m

\textsuperscript{201} Australian Broadcasting Tribunal (1987) Report TVQ-0 Brisbane:42.

\textsuperscript{202} AFR 13/1/86:32.


\textsuperscript{204} AFR 13/1/86: 32.
(11.2c/share) on year-end capital. UTL contributed $1.3m and PML $2.1m to the IPH result.\textsuperscript{205}

At the end of ten years Skase had established a pattern of development and the foundations of what he intended to be a transnational/international empire, with tourism and media arms. In the next four years the group opened tourist resorts, and increased its media operations and expanded nationally and internationally into the US, in those areas. Associated debt escalated until the company fell into bankruptcy in late 1989, never apparently discouraged by its bankers who accepted share script at market valuation as security.

This chapter illustrates the postmodern condition in the development of the early Qintex mirage. The supply of ‘ephemeral services’ to a mass market was a prominent feature of the group’s early years, with the acquisition of Lustre jewellery, and also with Skase’s unrealised attempts to control a television station. This market extended to the ‘privileged sector of the community’ with the acquisition of Hardy Brothers jewellery business, which ‘put the coal in the engine’. Qintex began projecting a luxury and glamour image after this acquisition.

This chapter also shows how Skase’s attempts to become a television proprietor led to the Australian Broadcasting Tribunal hearing into its acquisition of shares in Telecasters north Queensland. This hearing gave some indication of the group’s shaky financial position, which had troubled it from the beginning. This chapter analyses the group’s purchases in this period of the companies IPH, PML, and UTL, which eventually carried its major core assets. The postmodern deregulation of the banking system in the early 1980s contributed to the expansion of those companies, and allowed Skase to redefine his group in terms of the provision of disposable ephemeral services. Because Skase was juggling a number of different

\textsuperscript{205} AFR 13/1/86:32.
projects at any one time a clearer picture of his activities emerges if the two main areas of expansion (tourism and media) are analysed on an industry basis. They were developed concurrently, and Skase involved himself directly in the formulation of the overall policy and direction of each. The next two chapters analyse the group’s further expansion on that industry basis with reference to state intervention at State and Federal levels. It also considers Skase’s initial attempts to make it an international group with expansion into the United States in both industries
Chapter Five

Resorts and Tourism

This chapter analyses the Mirage tourism and resort interests and their development as they reflect postmodern themes. Luxury became a new market in Australia and a new source of profit. This was based on Skase’s dream of establishing an international Mirage ‘brand name’ leisure empire based, on the picture he drew in the sand in 1972. His postmodern business strategy involved entering a risky ‘niche’ market,¹ with funding coming from the recently deregulated banking system.

He started with two hotel/resorts in Queensland, whose tourism industry, he predicted, would grow ‘dynamically’ in the next decade.² The laissez-faire attitude of the conservative Queensland government, and its establishment of the flexible Queensland Tourist and Travel Corporation (QTTC) assisted him. He continued to exploit accommodating corporate regulation and accounting procedures to create his tourist mirage. The resorts themselves reflected architect Des Brooks’s overwhelming commitment to postmodern ‘happy’, ‘playful’, architectural images.

Skase was entering a high-risk industry, which depended on the fickle nature of Veblen’s leisured conspicuous consumers. His ‘grand plan’ that Mirage Resorts Trust (MRT) would own and control resorts, and project the Mirage name to become a world brand name in resort accommodation and services³, depended on Mirage becoming a ‘status symbol’. Lundberg et al note that the ‘Veblen effect’ ‘sets up new

³ BRW 22/5/87:76,78.
demand curves based on exclusivity and prestige’. Skase said Mirage would become the cornerstone of Australia’s tourist and leisure sector. Previous Australian tourist developments had been ‘on the back of US companies … Sheraton, Hilton and Hyatt’. Skase said

... these are Mirage resorts. We want to establish the Mirage name as the best resorts in the world … As we expand internationally, the brand will become more recognisable. Its value will be in tens of millions of dollars in merchandising and franchising.

Because Australia’s small population impeded Skase’s grand designs, Qintex began its projected global expansion, with moves to the US. Skase later said he considered that a resort should be within reach of a market of at least 500m people, who spoke English as a first or second language, and were frequent travellers. Underlying the process were an ever present, ever increasing debt burden and associated cash flow problems.

In an effort to conceal the extent of those problems the group began a restructuring program in 1987 designed to consolidate all assets in one company. Consistent with the ‘red queen’ factor Skase continued to do everything at once. This chapter outlines the Queensland State’s involvement in Qintex’s tourism venture, the establishment of MRT, the development of the individual resorts, and the expansion of its tourism interests into the United States, initially in Hawaii. As discussed below Skase found the much more strictly regulated Hawaiian tourism industry very different from that in Queensland.

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5 Age 18/5/86:19.
6 Skase quoted BRW 22/5/87:76.
Tourism is a ‘risky business’. Development consultants Rider Hunt argue that it is repeatedly referred to ‘in cargo-cult terms’ for future economic and employment benefits. They contend that, despite these predictions, the Queensland industry lacks reliable data on which to encourage investment. It is ‘run like a cottage industry by unco-ordinated groups of well meaning amateurs’. This supports Lundberg et al.’s argument that tourism ‘statistics’ are more realistically ‘estimates’, collected by both public and private sources, which conceal undisclosed potential errors. Although the industry is expanding rapidly, it is subject to large-scale fluctuations. In the fast changing industry data change quickly, statistical analyses are frequently outdated when completed.

In the 1980s when Skase was establishing his resorts US hotels were losing large amounts of money annually ($US33 from 1982-1993). Skase compounded the risk with his choice of the Queensland sites. Port Douglas was an unknown quiet fishing village, and the Spit was then on the fringe of the popular Gold Coast tourist destination.

As noted in Chapter 2 (p.99) Skase’s belief in his own abilities lowered his risk perceptions; this extended to his tourism operations. His enormous self-confidence appears to have minimised his perceptions of the major risks associated with creating a new company in the tourism industry. He argued that Qintex investigated an area’s tourism potential before starting to build. This was supported by a 1981 Boeing report, which identified its ‘unmatched potential for growth’.

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10 This is consistent with Simon et al’s argument noted in that section of this dissertation at that point.
Lundberg *et al.* indicate new resorts and hotels are not instant products; they do not appear overnight. The company is spending money but not earning it, during the years required to finance and build a hotel. The ready availability of money in the 1980s produced an environment in which a number of competitors building international-standard hotels (six between November 1985 and May 1987) in the same area created an oversupply of beds, which exacerbated the ‘off-season’ oversupply. The Mirage had 350 of a total 2,688 new international standard hotel rooms.\(^\text{12}\) Skase operations were highly leveraged and needed high occupancy rates to service their debts. Furthermore a new hotel cannot expect to achieve high occupancy rates during its first few years.

The group moved into the Australian tourist industry as soon as the Australian government began financial deregulation, and as the industry emerged from a 1981 slump. Between 1983 and 1988 short-term international visitor arrivals rose from 944,000 to 2.24m.\(^\text{13}\) Tourism was considered a source of economic growth. Tourism rates were increasing, particularly in the international market. Overseas visitor arrivals, particularly from Japan and USA, increased at a steady 8% annual rate. The devaluation of the Australian dollar, its political stability and safety, plus suitable infrastructure developments, boosted Australia as a major international tourist destination. Skase identified the importance of the tourism industry, and argued, in ‘cargo cult terms’ that it was: ‘... Australia's only hope for salvation out of an economic mess of spectacular proportions.’\(^\text{14}\) A demographic study indicated more leisure time and longer annual leave, and an aging population with more freedom and money to travel.\(^\text{15}\)


\(^{13}\) Brown, J (Chairman of Tourism Task Force) (1990) *Australian Accountant* 60: 24.


\(^{15}\) *BRW* 22/5/87:76,78. *AFR* 4/10/85:63.
Australian state intervention in tourism has been somewhat haphazard. Lickorish argues that governments formulate tourism policies, and provide infrastructure.\textsuperscript{16} The ALP federal governments emphasised governmental cooperation to achieve broad national goals.\textsuperscript{17} Their position with respect to tourism appears to have been supportive rather than regulatory. Under federal policy in the 1980s international airlines were directed in through Sydney at the expense of regional tourist destination airports such as Coolangatta and Brisbane, so that most international visitors could not fly directly to Queensland.\textsuperscript{18} They introduced initiatives to encourage international tourists to visit Australia, but regulation at the Federal level appears to have concentrated on maintenance of satisfactory transport into and out of the country and on tourists’ entry into the country. The main concentration of tourism regulation, such as it was in the 1980s, was controlled at individual State, and local government levels.

Federal initiatives to bolster the $16b industry included a 160% funding increase for the Australian Tourism Commission (ATC) between 1983 and 1986, and the introduction of the Tourism Overseas Promotion Scheme to support private sector promotional activities.\textsuperscript{19} The ATC commissioned the advertising agency Mojo to produce a series of promotional television commercials with a ‘distinctively Australian flavor’ featuring actor Paul Hogan, which were shown in USA ‘the world’s biggest and richest tourist market’, which generated a steady increase in the number of tourists. Australia achieved 2m international visitors in 1988, 49% of whom visited Queensland.\textsuperscript{20}

\textsuperscript{17} Lafferty and van Fossen (1996):167.
Qintex’s move to Queensland was fundamental to its tourism operations. Skase cited Queensland’s accelerated population growth rate,21 its climate and natural attractions, available land, and three international airports. He argued that far North Queensland, the Whitsunday Island area, and the Gold Coast would become dominant tourist attractions in a ‘world sense’. The number of international tourists passing through Queensland had increased 78% between 1979 and 1985.22 He targeted the ‘top end’ of the international tourist market with two five star international beach front resorts, on the Gold Coast and at Port Douglas.23 Qintex moved its headquarters to Brisbane when it won the contract to build the Port Douglas resort.

Queensland’s most valuable asset for Skase was its conservative pro-active National Party government with its ‘positive free enterprise attitude’, and ambition to raise the State from its ‘branch office’ status. It targeted tourism, one of Queensland’s traditional industries, as a means of generating economic benefit. Tourists injected $2.9m in direct expenditures into the State in 1988-89.24 Queensland tourism’s expansion in the mid 1980s is demonstrated by its 9% increase in tourism employment in six months to 30 June 1986. The Queensland premier, Joh Bjelke Petersen, said Skase had told him that he moved to Queensland after first telling him what a great admirer he was of his pro-active style.25

At the ‘grassroots’ level – the interface between tourists, and developers and operators- the Queensland state and local governments were apparently reluctant to...

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21 Queensland’s overall was 4.7% between 1960 and 1984 compared with the national figure of 3.9%. AFR 28/7/86: 3.
22 GC Bulletin 31/7/85:3.
enforce the existing weak regulations. mostly weak local community groups have been silent or mostly ineffective against developers who have obtained local government support. the queensland tourism industry is ‘developer driven’, and frequently accompanied by various forms of land speculation. much of the land given over to the industry since the 1960s previously belonged to petit bourgeois small rural industries such as dairy farms small sugar cane farms and smaller agricultural industries. this has encouraged the ad hoc development of ‘a collage of mainly imported images lacking in any overall, integrated identity’.  

the state government assisted qintex’s tourism development. the queensland government established the queensland tourist and travel corporation (qttc) in 1979 to promote the tourism industry with the adaptability necessary in the early postmodern climate. as a ‘statutory body’ its flexibility conforms with liberal ideals of minimal state intervention: although nominally accountable to the state, the state applied minimal control. in effect the qttc played a ‘major development role’ in the queensland tourist industry. it not only promoted the industry; it dominated it with a combination of advice and participation in development. 

its board of ‘part-time directors’ came from, and interacted with, the private sector. frank moore, chairman from 1979 to 1990, as a director of several companies had wide connections within the business community. craik argues that:

his vision for queensland tourism was crucial to the expansion of the qttc and contributed to the rapid development of tourist infrastructure in the state.

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He advocated privately developed large-scale projects with international connections, anticipating a ‘trickle down’ effect. Support to the top end of the tourism market was expected to generate a flow of benefits to all other sections. Amendments to the QTTC Act in 1984 allowed it ‘to engage or participate in tourist or travel ventures or developmental projects.’ In 1984 the Queensland Government, in a bid to encourage tourism and develop the North Queensland area, transferred five parcels of crown land to the QTTC for development as joint ventures between it and private industry.

Qintex identified Port Douglas as a potential site in October 1984. After a pilot study it submitted a proposal for a QTTC large project. In February 1985, QTTC selected Port Douglas for its first joint venture, and called tenders to develop approximately 120ha of former crown land with 2km of absolute beachfront, where Skase had drawn his picture in the sand.

In September 1985 Qintex subsidiary PML won the contract to develop an 80-hectare resort at Four Mile Beach, Port Douglas. Qintex agreed to pay QTTC 5m PML units for the freehold title of the crown land. The units had a face value of $10m ($2/unit), and carried a fixed 20c a unit preferential dividend. Skase said he had offered equity to QTTC ‘right at the outset’ of the proposal. Two weeks before Qintex won the tender another bidder, Commercial and Industrial Developments (Australia) Pty Ltd, unveiled its scheme for the Port Douglas project.

In March 1985, concurrent with its Port Douglas tender, Qintex purchased 4.23 hectares\textsuperscript{35} on the Southport Spit between the Pacific Ocean and the Southport Broadwater, north of Surfers Paradise. It intended to build a $50m low-rise three story 400 room hotel, with associated sporting and convention facilities of international standards, to target the top end of the international tourist market, ignoring the budget-priced accommodation mass market.\textsuperscript{36}

Skase followed his established pattern for the construction of Mirage Resorts Trust (MRT) from PML. IPH acquired its first PML holding in 1981, which it gradually increased to 55% giving it absolute control.\textsuperscript{37} On 30 September 1983 Qintex’s auditor Wallace McMullin & Smail (Duesburys) replaced Deloitte Haskins & Sells as PML’s auditor. Skase became chairman of PML’s manager Presmarda Ltd in 1984-85.\textsuperscript{38}

PML had three major property investments; the Preston Market and the Leonda Reception Centre in Melbourne, and Butts Shopping Centre in Maroochydore, Queensland. Under Skase's 'leadership' PML, with unitholders’ approval at an extraordinary general meeting (IPH held 55 % of its units), sold PML's major investments (both Melbourne properties) in late 1984.\textsuperscript{39} A general meeting on 7 August 1985 authorised a new investment policy and appointed ANZ Executors & Trustee Co Ltd trustee.

PML sold its Maroochydore shopping centre (book value $5.15m) in June 1986 to QMH for $5.75m, plus an undisclosed amount to reimburse PML for

\textsuperscript{35} From Hans van der Drift who was operating it as Andalusia Park (he bought it from Keith Williams about 1982).
\textsuperscript{37} In 1982 PML \textit{Annual Report} Qintex held 10.9% of PML’s units. At 21/7/83 Qintex held 50.1% of PML’s units. Qintex Limited \textit{Annual Report} 1981:5. PML Property Trust \textit{Annual Report} 1983:8.
The independent directors Ernest Neimann and Mrs Marianne Baillieu refused to sell when IPH tried to increase its holding to 40%, with an offer above the market price, in/11/82, but made no recommendation to unitholders. \textit{AFR} 18/11/82:58.
\textsuperscript{38} The 1984 \textit{Annual Report} was signed by E.H.Niemann (Chairman), the 1985 report was signed by C.C.Skase (Chairman). Neither report mentions any changes in the board.
\textsuperscript{39} The sale was announced under the previous chairman, but implemented under Skase's leadership.
upgrading the centre. Qintex gained control of QMH in April 1986, but neither company mentioned the link in their statements. The shopping centre’s income was problematic; PML’s 1985/86 Report showed it received $303,105 in rent that year, but Skase claimed in QMH’s annual report that it was generating income at an ‘annualised rate’ of about $1.5m, with potential for increases. The intra-group sale contributed to PML’s 1985-86 profit, which actually fell 47%. By July 1986 PML was an $18m cash shell: it paid a final dividend to small unitholders in August 1986. This was the last dividend it ever paid to any unitholders other than QTTC, which received a dividend of $765,753 in 1986-87, and two further payments in 1987-88, including $500,000 for the December half year.\(^\text{40}\)

On 31 July 1986 PML became Mirage Resorts Trust (MRT). As a ‘tourism specialist’ it planned to develop international standard resorts, managed by the Sheraton Pacific Hotel Group, beginning with absolute beach frontage resorts in Queensland on the Gold Coast ($50m), and at Port Douglas ($85m).\(^\text{41}\) It planned a third resort for QMH’s Whitsunday passage Airlie Beach Resort.

MRT increased its capitalisation, and issued 80m units at $2.50 each, including 7m allotted for a 1-for-1 renounceable rights issue, and the 5m units paid to QTTC. The Sheraton group subscribed to 2.6m units. The Qintex group received options on 10m units exercisable at $2.50 up to 30 June 1992. MRT planned to raise $100m with a five year syndicated bank loan besides the $234m cash from the equity issue.\(^\text{42}\)

\(^{41}\) Skase said that Sheraton Hotels and several other companies had contacted him after he acquired the Southport Spit site. He stayed regularly at the Brisbane Sheraton and knew their standards. He contacted Sheraton to see if it would also ‘run with him’ at Port Douglas. Sheraton had other hotels in Queensland and could offer ‘packages’ allowing tourists to move north from the Gold Coast/Brisbane or South from Townsville/Port Douglas. Australian Business 22/7/87:76.  
\(^{42}\) SMH 21/7/86:30; 28/10/86:28. These units were traded at $2.80 on 27/10/86.
The Mirage resorts were integrated resorts with a mixture of components designed to provide complementary cash flows. These were: five star international standard hotels for medium to long term profit; condominiums, with initial short term profits plus management fees; shopping centres with medium to long term return; marinas; sporting facilities; and entertainment venues’. MRT acquired two hovercraft, for $3m each, to fly between each resort and its nearest international airport. The 40 minute trip between Cairns airport and Port Douglas, took 2/3 the road time. It flew across mangrove lined mud flats on to the Barron River out over the Coral Sea and up the coastline, over shallows and sandbanks and past ‘sublimely beautiful headlands and beaches’. It also flew Daintree tours and explored the area without damage. The Gold Coast craft flew from Brisbane airport to the Gold Coast through the inland channels between Stradbroke Island and the mainland. Its path across the Brisbane airport floodway angered local Nudgee Beach residents banned from the area within the Airport precinct by federal law.\(^{43}\) The stockbroker Morgans suggested in November 1986 that the resorts could become one of the State's premier tourist attractions, but very few financial advisers or stockbrokers researched it in detail.\(^{44}\)

An overview of the Qintex group at this point illustrates that, consistent with the ‘Red Queen’ factor, Skase was ‘deal driven’, juggling a number of different matters simultaneously. He was developing two Queensland resorts over a thousand kilometres apart with plans to build a third resort; he was actively involved in the management of TVO Brisbane, and in expanding Qintex’s television and radio interests - including the Tricontinental financed AWA Ltd takeover attempt (see next chapter). He was also investigating possible United States investments, and planning to develop Qintex America from Hardy Brothers (discussed below). In July 1987, just before the resorts were opened, Qintex acquired the Fairfax interests’ Seven Television network.


While developing its plans for MRT the Qintex Group gained control of QMH (later Arbreau Pty Ltd). QMH had two medium range tourist resorts at Airlie Beach, and two boat-building companies, Lloyd’s Ships Holdings Pty Ltd (Lloyd’s), in Brisbane and, Precision Marine Holdings Ltd, in Western Australia. Skase, who later claimed to have bought the company because he ‘liked the boat’ (Mirage 111), became a Lloyd’s director in February 1986. QMH was delisted in 1987 when Qintex apparently acquired all its shares (QMH’s deviant ownership is discussed in Chapter 3). The company’s activities were obscure from the time Qintex gained control. It attracted very little publicity and it was submerged in the group’s accounts, it and its subsidiaries were subject to several name changes. Very few of its records were available at Lloyd’s bankruptcy hearing.

In July 1986 Qintex exchanged 5m PML units for the freehold title of the Port Douglas site. Qintex and the Sheraton Hotel Group signed their agreement over the Port Douglas project. The resorts retained their own Mirage identity but were marketed with the other twelve Sheraton managed international hotels in Australia. Theiss Watkins Group won the contract to build the Port Douglas resort, and Watkins Pacific (Qld) Pty Ltd won the Gold Coast hotel contract.

Qintex claimed to have raised the funds for its resorts through various placements with institutions such as National Mutual, the AMP, SFIT, and the ANZ.
Banking Group, and overseas investors, including Merrill Lynch, Rothschild, and Baring Bros, who ‘spoke for’ 15% to 20% of MRT's capital. It borrowed $100m from National Mutual Royal, the Commonwealth Bank and Standard Chartered, to be repaid by 1991. Skase said that debt financing would be repaid from fixed facilities such as the marinas, and the sale of condominiums.

Post modern design concepts are apparent in both resorts. Des Brooks' firm Media Five designed them; however Skase his wife Pixie contributed ideas. Brooks was a resort specialist in Honolulu, but flew to Melbourne regularly. He aimed to ‘create sets for people to have fun’. He appreciated the opportunity to create something from scratch, unlike other Queensland resorts, which had expanded from ‘little fibro numbers’. He wanted to capitalise on ‘the spectacular setting', and ‘add some sparkle’ with technology to what nature gave them.

We'll dress it up in a North Queensland architectural fabric - lots of verandahs and lattice work - and some playful little turrets because its got to have a happy, playful mood. It would feel like a contemporary version of the old North Queensland house. (I have italicised the postmodern themes in Brooks’ statement)

The resorts projected an image of glamour and luxury. They targeted different facets of the top end of the international tourist and leisure market. Mirage Gold Coast was one of the largest resorts on the Coast and would cater for 5-7 day stays. Port Douglas was to be established as a 'destination resort' catering largely for 7-10 day stays, with tourists anticipated from the US West Coast, and from Melbourne which Skase considered the centre of Australia’s leisure class.

In November 1986 John Tabart (B.Eng.) was appointed chief executive responsible for both resort projects. He was a Lend Lease Corporation Ltd division

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50 Qintex was the only tenderer for an $8.9m 300 berth joint venture marina with the Douglas Shire Council, and planned a 150 berth marina on the Gold Coast (130 condominiums on the Gold Coast and 535 at Port Douglas). Australian 12/7/86:32. SMH 28/10/86:28.
51 Brooks had a licence from the Hawaiian firm Media Five to use the name for five years. Australian Business 22/7/87:76.
52 Bulletin 7/10/86:52.
manager, with 14 years experience in property development. His basic initial salary was $110,000 (including about $70,000 from QGMS), plus $20,000 superannuation, $10,000 for travelling expenses and cash bonuses 'net of tax' of $35,000, and $20,000 a year to lease a BMW 7 series car. This doubled in the next two years, and he was given two interest-free loans of $100,000 and $385,000.

Qintex broadened its leisure/tourist interests, and its potential market, in December 1986. It paid chairman Peter Laurance $31m for 23% Sea World Property Trust. This acquisition departed from Qintex's specialisation in the upper ranges of the tourist/leisure market, and suggested a move towards the broader Disney-type mass tourist/leisure market. Skase's Qintex and Laurance's Pivot Group Ltd became co-major unitholders in Sea World. They arranged their apparently simple deal, which appeared to carry a remarkable degree of trust, in a month. They had preemptive rights to each other's Sea World holdings, but either could extend his holding.

They planned a joint venture company as the foundation of an international tourism and leisure empire combining both companies' future theme park/leisure ventures. Qintex was to direct all new investment opportunities in theme parks and tourism related projects to a jointly owned development company. They claimed to have 'refined a formula' which would allow them to move rapidly into new ventures. Qintex's project finance and assessment skills would complement Sea World's management talents. Skase said Qintex needed an 'appropriate liaison with theme parks'. Sea World and Qintex were 'chasing the same market ... the tourists with the expendable time and disposable dollar', together they would become the 'most potent (tourism) industry force in Australia'.

53 *AFR* 25/11/86:43.  
55 Control of the trust lay with Sea World Australia Ltd, the Sea World lessee/operator which paid rental to the trust on the basis of the net operating profit of the park less 2% of its annual gross revenue.  
They intended to expand into North America and Asia as well as consolidate a leading role in Australia's burgeoning tourism industry. The agreement specifically included Qintex America, whose takeover of US-based Princeville Development Corporation (PDC) in 1987 is discussed below. Skase and Laurance hinted that Qintex America was investigating a site for their first joint venture in USA.

In July 1987 Sea World signed a agreement with the Japanese group Nara to joint venture a $53m, 400 room, low-rise Sea World Nara Resort Hotel on the Southport Spit north of Sea World, catering for families, and the Japanese honeymoon market. Nara had 5 hotels in Japan with bookings for 4,000 wedding ceremonies and honeymoon arrangements in 1988. The hotel, which would increase Sea World’s net tangible asset backing, was expected to raise its interim earnings by 31%.

Skase appeared to have relinquished his long established autonomous approach. There was, however, little evidence of the mutual co-operation stressed in initial reports. Qintex companies made no moves to ‘push’ business into the joint venture. Skase followed his established takeover pattern; Qintex increased its holding to 35%, with on-market purchases unknown to Laurance in mid-1987. Laurance increased Pivot’s holding above 25% and blocked a takeover attempt (under the Trust deeds major changes required 75%). Qintex sold its Sea World holding to Laurance in March 1989.

MRT launched the Port Douglas resort project with a breakfast on the beach at Port Douglas on 12 September 1986 (the same day AWA shareholders met to consider Qintex’s takeover offer). Queensland Tourism Minister Peter McKechnie unveiled a plaque; he launched the Gold Coast project three months later. Skase referred to his drawing in the sand and said that he would to create a resort superior to anything in Hawaii.

59 SMH 27/7/87:28.
60 Age 2/7/87:19; Australian 4/7/87:37; AFR 1/7/87:16; 2/7/87:36; SMH 5/9/88:34.
61 The financial press speculated that the theory behind Qintex consolidating its position in Sea World related to the huge amount of interest in property, particularly hotel sites, shown by Japanese investors. AFR 15/6/87:16; 2/7/87:20; SMH 2/7/87:29; 5/9/88:34.
The overall cost of the Mirage resorts was claimed to be $330m. The labour intensive construction started in September 1986, and finished for opening in September 1987. The Gold Coast resort combined elements of a ‘location’ resort, near a popular holiday area with a well-developed public infrastructure, with those of a ‘destination’ resort, which provided a surrounding infrastructure, which attracted guests. The more isolated Port Douglas resort was a ‘destination’ resort.

The Port Douglas resort occupied 140h, 111 of which were reserved for gardens and lagoons. It has a 300 room international hotel surrounded by a two-hectare salt-water lagoon system similar to one at the Sheraton managed Hyatt Regency Hotel on Hawaiian island of Kauai, 550 condominiums (by 1992), a country club with sports facilities including tennis courts, an 18 hole golf course designed by Peter Thompson with several coastline holes and Hawaiian-type obstacles, and a 245-berth marina with retail complex to be completed by Easter 1988. ‘Exotic fish’, introduced to the lake system in 1989 to control the mosquitoes which attacked golfers created a potential ‘ecological disaster’; they ate native water-life and threatened the delicate local ecosystem. MRT had to remove them. The landscaping cost of $6m included a three-kilometre avenue of 1500 African oil palms, which give an entry to the town. It reputedly cost $2m to transplant them (3 a day) from a Daintree plantation Qinctex had purchased at Cape Tribulation, 70km north of Port Douglas. Qinctex hauled a large proportion of the building material and interior fittings by road from Brisbane (1300km).

The Gold Coast resort was smaller, with less landscaping than Port Douglas. It had a 300 room hotel, executive suites, condominiums, a sports centre, and with a projected overhead bridge to the Marina Mirage shopping complex. The Gold Coast council insisted a heated swimming pool available to the general public be included.

64 Conservationists said that money-making opportunities overrode developers’ moral obligations, despite their assurances that they would protect the environment. Queensland Conservation Council coordinator, Ms Liz Bourne, said there were no clear guidelines to protect the environment. She said that entrepreneurs were determining the pattern of land use, aided and abetted by government departments; rivers had been dammed and mangrove swamps filled in. Weekend Australian 4-5/3/89:48.
The project manager Mike Avery, later Mirage Resorts general manager, said it was built very quickly ‘even by Gold Coast standards’.  

Qintex became an international group with US investments before the Mirage resorts were finished. Skase decided to invest in USA while in California for the 1984 Olympic Games, when he met business people, frequently as Rupert Murdoch’s guest. He concluded that Australia’s small population limited any Australian company’s growth, and precluded its realistic participation ‘in the vast majority of the world's growth industries’.  

Qintex researched America’s ‘economic, social and political fabric’ for two years. Its increasingly adult population was ‘heavily preoccupied with information, entertainment and recreation’. Qintex America intended to invest in media and communications, resorts and leisure, and equities and properties in the West Coast (California and Hawaii), Texas, Florida and the North-East (New York-Boston). It planned to assemble a $500m portfolio by 1992, divided evenly between Australia and USA.  

Qintex America was launched in Qintex controlled Hardy Brothers’ shell, in January 1987, after Qintex controlled IPH paid $12m cash for its wholesale jewellery operations in December 1986. The company consolidated its 50c shares to $1 and lifted its authorised capital to $200m. It made a 1:1 renounceable rights issue with accompanying contributing shares paid to 1c, and a placement of 110m $1 shares mainly to local institutions, McIntosh underwrote 49%, and Qintex controlled IPH 51%. IPH made a $520,879 rights issue to fund its rights allotment. It wanted a US

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66 Age 18/11/87:39. AFR 18/7/86:56.  
listing possibly through a takeover target which, avoided issuing a prospectus and providing the US SEC with detailed financial information. It intended to open a corporate office in Los Angeles in July 1987. Skase hoped the to hold 50% of the group's assets and earnings in the US by 1991.  

Qintex America’s two initial (media and resorts) investments worth $A50m, which Skase claimed would give it a 1:1 gearing ratio, were a holding in the Princeville resort on the Hawaiian island of Kauai, described as ‘anybody's idea of paradise’, which would eventually double the group’s property assets, and an investment in Hal Roach Studio (see next chapter).  

Qintex America paid $US64.3m ($A88m) for control of NASDAQ listed PDC in April 1987, which it increased to 51% by a placement and a tender for more PDC shares. PDC held 2,800 hectares of freehold property on Kauai and was capitalised at $129.2m, but had never realised its full potential. Its assets were:

- The 300 room Sheraton Princeville Hotel, with its own beach frontage and views of Bali Hai. PDC, in a limited partnership, held 42.4% of the hotel, which would progressively rise to 70% in 1991, 'upon sufficient profit distribution to the non-PDC partners'.
- A 27-hole world championship golf course, designed by Robert Trent Jones (one of America's top 100 courses). Qintex intended to expand it to 63 holes.
- A ‘minor’ 18-hole course, Qintex planned to add a further 9 holes.
- The Princeville Center, with 6,000-sq. m. retail space.
- Princeville Management, which generated fee income from managed condominiums.

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69 It had been on the market at an undisclosed price since 7/86 when Skase 'let it be known in the market', through the Japanese merchant bank Sanwa which had recently established a branch in Australia, that business was for sale. SMH 7/7/86:24.
74 The site, a former ranch, was acquired by Consolidated Oil & Gas in 1971 which developed the resort. The Bulletin 29/3/88:64-65.
• Princeville Airways, which operated the 20-minute flight between Honolulu and Princeville.
• 2,500 h of undeveloped land.\textsuperscript{75}

The undeveloped land was a big attraction for Skase who did not understand the Hawaiian tourism industry and, with the Queensland orientation, treated it as a commodity. He did not understand the full extent of the powers of the Hawaiian State Land Use Commission, or the input from powerful active community groups, which represent very active broad sections of the community. The cohesive Hawaiian industry has developed its own distinctive identity. Land is not treated as a commodity; land use regulation has a conservation stance and restrains the amount of land available ‘for purposes other than agricultural or conservation use’.\textsuperscript{76} Land availability is dominated by ‘socially beneficial uses’. Kama’aina (old resident) dynastic families control a large percentage of tourism development, and restrict the amount of land available to smaller entrepreneurs, who are frequently treated as outsiders.\textsuperscript{77}

Princeville itself is a planned community of 11,000 acres built on the part of a coffee plantation owned by the family of Robert Wylie, who named it for the son of Hawaiian monarch King Kamehameha IV. Wylie’s descendants are Kama’aina, ‘grands bourgeois’. They had considerable input into the development of the planned community, in consultation with the local community, state regulations and the relevant trade unions.\textsuperscript{78}

\textsuperscript{76} van Fossen and Lafferty (1997):6.
Skase claimed at a Securities Institute lunch, in February 1987, that Qintex America shares\textsuperscript{79} were ‘arguably worth’ over $2 each, after two ‘notional adjustments’: the addition of a prospective multiple of 15 (or $39m) for the Hal Roach media investment (see next chapter), and a $30m adjustment for the discounted purchase of tangible assets in PDC which was ‘valued up’ when Qintex's broker McIntosh valued it at $US140m-150m, $26m above cost.\textsuperscript{80} Despite his optimistic assessment Qintex America's share price fell from $1.15 (March 1987) to 90c (May 1987).

Qintex arranged a (Dutch sandwich) tax minimisation scheme for the Princeville holding:
- Qintex America Ltd
- Qintex America (Resorts) Unlimited (UK)
- Qintex Resorts NV (Netherlands Antilles)
- Qintex Resorts BV (Netherlands)
- Princeville Development Corp (USA).\textsuperscript{81}

These companies are present in the list of subsidiaries in Qintex's 1987 Annual Report. Qintex America (Resorts) (UK) was not listed as Unlimited in Qintex's 1988 Annual Report.

Skase’s arrogance, often admired in Queensland as ‘go ahead’, caused him problems when he attempted to redevelop the Princeville resort in 1989. He ignored local values and conditions and met considerable local opposition and was forced to negotiate with local authorities over issues, which were ignored or sidestepped by Queensland authorities. This is discussed with Qintex’s last year in Chapter 7.

Skase’s high handed approach to business, exacerbated by persistent rumours of a possible sale of part of the Mirages to Japanese interests, created local image problems for both Mirage Resorts. Port Douglas residents protested at the disruption of their lifestyles. The resort introduced the 'rat race' of progress and destroyed its

\textsuperscript{79} Which had been established 'with 66m shares at $1 each supported by a $1 cash asset backing' late in 1986.
sleepy fishing village atmosphere. Beachfront Casuarina trees were lopped to allow large machinery beach access, and the hovercraft was noisy. About 200 people attended a public meeting to discuss Qintex’s attempt to develop a golf course, marina and 40 golf villas on a 90 hectare crown land mangrove swamp adjacent to the Mirage resort, and rejected the proposal which included a $5m public facilities package.\footnote{Skase did not attend but sent Burden, Tabart, and Port Douglas resort chief Bob McFeeter. \textit{Australian} 25/11/88:16. \textit{AFR} 16/12/88:63. \textit{Bulletin} 29/9/87:32-34. \textit{Times on Sunday} 25/10/87:20.}

The Queensland State Government removed the council as trustee for Crown land on which the marina was built, in 1988.\footnote{SMH 25/2/89:13.} MRT executives ignored local council claims that it had broken agreements. It owed $45,000 for three years rates. It failed to provide promised bores, and strained the town’s water supply using excessive water ‘to keep all their lawns looking lovely and green’. The State Government gave MRT permission to build up to beachfront dunes behind the resort. Tony Mijo, the council chairman said:

\begin{quote}
there should be at least an 80-metre buffer zone there... they already have a monopoly over one of the most beautiful stretches of beach in Australia.\footnote{SMH 25/2/89:13.}
\end{quote}

Although the Queensland Cabinet did not discuss the Port Douglas mangrove swamp at its last meeting for 1988, it did approve the development of a $251m joint venture (between Qintex’s Sailport and Wonderpride Co Ltd) marine resort at Airlie Beach. It offered Qintex two leases over 220ha, with the option to convert to freehold for $8.5m over eight years. This targeted a wider market than the Mirage resorts.\footnote{Qintex lodged its application through Sailport Pty Ltd, which it held through Parsnip Investments Pty Ltd. \textit{AFR} 16/12/88:63.}

Gold Coast residents opposed Qintex’s interference with the sand dunes separating the hotel from the beach. It lowered 60 metres of sand dunes, and the Gold Coast Council ordered their restoration. Two months later MRT began ‘re-profiling (them) to a more constant shape’, claiming that it followed ‘correct procedures’, had the State's Beach Protection Authority’s permission, and had paid the council a
$20,000 bond. Construction workers, however, warned the council and the media that the dunes were being bulldozed, trees uprooted and nesting birds evicted. The council said Qintex had permission only to establish walkways across the dunes without altering their height or vegetation. It gained a temporary injunction, extended indefinitely on 17 July 1987, to stop the work. At the end of July the injunction was lifted and revegetation work resumed.  

Between 1986 and 1988 Qintex subsidiary Kodogo Pty Ltd paid 25 cheques totalling $321,427 to the then Gold Coast mayor Dennis Pie’s family company Dinlex Pty Ltd. A Criminal Justice Commission (CJC) examination disclosed an account entitled ‘Loan - Dinlex Pty Ltd’ under the category ‘investments’ in Kodogo’s 1989 balance sheet with an opening balance of $321,427 and a closing balance of nil. Kodogo’s general journal revealed that $321,474 had been written off as a bad debt, without any attempt at recovery. Skase denied suggestions of bribery to the CJC. He insisted that the payments to Dinlex were non-refundable option fees for the right of Kodogo, or its nominees, to buy into land Dinlex owned at Caboolture, but there was no documentary support. He said that Geoffrey Putland, who had ‘sole authority’, would have appointed accountants for the Dinlex file, and would have made the decision to write the debt off. Skase said that ‘in the context of having assets of $3b plus’ the debt was relatively small and thus not his immediate concern. Richard Capps said Qintex made a $13,000 interest payment to Rothwells when it claimed that Qintex was liable for the interest on Dinlex’s debt, in May 1988. He could not find the option agreement, or any documentary verification.

MRT’s 1987 annual report released in September 1987 covered the construction of the resorts. It had expanded from 7m units (1986) to 92m units, and

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87 Kodogo was registered under the Money Lenders Act and had an ownership tree which traced back to QAL, but was not listed as a subsidiary in the 1988 Annual Report. AFR 13/6/91:5.
88 The money was to re-finance a loan of nearly $1m from Rothwells merchant bank to buy 409 hectares of Caboolture Pine forest, which Pie had planned to have rezoned for residential subdivision. When Pie was in arrears in January 1986 Rothwells threatened to sell up the land. The loan had included a $100,000 ‘professional fee’ to Laurie Connell. CM 28/5/91:5.
book asset values rose from $18.5m to $384.8m. It had spent $201.2m on development projects and committed a further $56.7m. It had no operating profit and its debt increased; interest for the financial year was $15.3m. The only debt acknowledged in the report is a secured borrowing of $99m from an unnamed source, due within twelve months. Other expenses totalled $12.8m, and the trust capitalised expenses of $29.2m to the project. QTTC received its dividend of $770,000. Other unitholders, including the trust’s parent company QAL, received nothing. In July 1988 Qintex paid QTTC $13.5m for its units.\(^{90}\)

The Mirage resorts, which Qintex claimed had cost $330m, opened at the end of September 1987, with an official ‘gala opening’ planned for early 1988. Mirage Gold Coast released 1,000 blue and white helium filled balloons, some containing vouchers offering free overnight accommodation or a free dinner at either of its restaurants.

Skase, always aware of the benefits of publicity, followed the opening with a ‘lavish gathering’ for a group, which included Queensland politicians, prominent business figures, stockbrokers, fund managers and travel industry representatives, who toured both resorts from 12 to 15 October. The tour was part of a broad sales campaign, which began before construction started, when Skase and his wife took small parties of potential buyers or influential business and media people to Port Douglas by corporate jet. The jet left Brisbane at 7 am each Tuesday for Cairns, thence by helicopter to Port Douglas and surrounds. Qintex also flew influential people to the area every weekend.\(^{91}\) Skase adopted a similar approach when he entertained the financial media to advertise the nearly complete Marina Mirage complex. In November 1987 he flew one hundred ‘qualified condominium buyers’ from Sydney, Melbourne and Brisbane to Port Douglas.

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In November 1987 Qintex began marketing the luxury waterfront condominiums with heavy security, which were to provide the Trust’s initial cash flow, at prices from $350,000 to $1m, (an average of $450,000). MRT appointed Warwick Redgrave (former Lend Lease residential director) marketing manager, and Gold Coast Real Estate agent Max Christmas handled sales. Projected purchasers included corporations, private Australian clients, overseas investors (mostly from Japan and USA) and Skase’s personal friends, who would either stay several weeks a year and lease their condominium to the Sheraton for rental, or stay for several months and control their businesses by phone and fax. All sales to overseas investors over $600,000 were referred by law to the Foreign Investment Review Board (FIRB). This did not apply to sales ‘off-the-plan’.

Sales began and Max Christmas forecast that they would reach $60m by March 1988. Skase increased projected cash flows on his assumption that average condominium prices would increase (to $640,000 for the Port Douglas, and to $520,000 at the Gold Coast). Gold Coast property values escalated in 1988, inflated by Expo 88, and holiday accommodation prices ranged up to $3,000 a week for a Mirage condominium. More people sought luxury hotel accommodation, the elegant fine dining and the sophisticated shops that the international hotels attracted. Concomitantly the Mirage had to compete with an ‘oversupply’ of newly constructed luxury five star hotels in Surfers Paradise.

Condominiums were marketed as ‘gilt-edged investments’ with ‘a slice of paradise’, and average prices rose from $650,000 to $830,000, (one bought ‘off the plan’ for $575,000 sold at $750,000). After the 1987-88 Christmas holiday period

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92 Mirage Gold Coast had 54 condominiums, budgeted to be sold within two years. Mirage Port Douglas initially had four which increased to 44 by the end of 1987, with 525 projected for 1992. Australian 21/11/87:56.

93 All the first, and some second, stage Port Douglas condominiums have beach frontage. Other second stage condominiums face man-made lakes, the golf course and the mountains at the back.

94 Under the management agreement with Sheraton purchasers could buy a Sheraton package of towels, sheets for $12,000, and furnish their condominium appropriately or they could buy a soft furniture package starting at $56,000. Rentals started at $4,000 a week for 2 bedroom; $5,000 a week for 3 bedroom; then $6,000 a week for 4 bedrooms. AFR 8/11/88:55. BRW 22/5/87:76,78.

95 The Age 18/11/87:39.

MRT had contracts for 41 of the 48 first stage Port Douglas condominiums (about $30m), and expressions of interest in the rest. It began stage 2 in February 1988. With 33 unconditional contracts on that stage (at an average of $730,000), it began the 28 stage 3 condominiums, (Reef Mirage, with an expected average of $830,000). The estimated $5b which Skase and others ‘pumped into’ North Queensland stimulated property values: those in Douglas Shire increased 260% in 1988; the best-elevated sites in Port Douglas exceeded $1m in 1989.\textsuperscript{97}

In August 1987, while negotiating for Mackay Television (see next chapter), Skase began moves intended to privatise the Qintex group, and conceal its debt levels with plans to ‘rationalise’ the group’s internal structure and eventually consolidate the five listed companies into one entity. IPH was renamed Qintex Australia Ltd (QAL), to become ‘the base ownership vehicle for the group operating companies’, and absorb its three listed subsidiaries, UTL, MRT, and Qintex America.\textsuperscript{98}

Skase needed to maintain high share prices, but his companies market popularity declined. Despite its heavy investment and large Australia and US media and tourism assets, Qintex had not produced a straight, conventional profit, or demonstrated the worth, or profitability, of the investments. A mid-September 1987 analysis showed that, on an adjusted basis, the group was under-performing: against a twelve months All Ordinaries index increase of 76%: Qintex rose 0.7%, Sunstate (which had been sold) rose 9.1%, QAL rose 3.3%, MRT rose 8% and UTL rose 12.5%, Qintex America was 20c below its $1 listing price. The large offshore money, which focussed on market leaders, ignored the group.\textsuperscript{99}

The group was existing on ‘fictitious capital’, which largely depended on share prices and market and book values. It carried large long-term debt, and there were


\textsuperscript{98} Skase informed the media of the proposed rationalisation well before he notified that Stock Exchange. The plan was for IPH to take out minorities in UTL, Qintex America and MRT. Qintex Ltd would then take out the minorities in IPH and amalgamate it into Qintex Limited. The minority shareholders were to be offered either cash or shares in the restructured Qintex. Skase believed that most of the institutional shareholders would go for shares because of its tax advantage. The new company was to be capitalised from $600m up to $1b. Age 7/7/87:37.

\textsuperscript{99} AFR 17/9/87:75.
several reports of cash flow problems. Australian Ratings warned that its high debt position made it vulnerable to a possible economic downturn. It needed outside equity injections which made a Fairfax injection of $100m important (see next chapter). Qintex mostly borrowed on a secured basis against scrip in various parts of the group, whose value depended on share prices. It had funded the previous two years' expansion with over $560m equity issues. Asset backing rose with new assets, creating an image of moving upward, which should have increased Qintex's share price. Skase's *modus operandi* ensured that the more scrip Qintex issued, the more it could borrow.100

At this point minority interests absorbed much of the profits and dividends in the group (see appendix 2). Qintex raised all of its cash for working capital and capital expansion from borrowings or equity raisings and none from operational cash flow. It had to service $70m convertible notes, which carried 10% interest; almost half of its income came from QAL, which paid two thirds ($4m) of its earnings to minorities.101

Skase argued that the group had progressed from an equities trader to become the owner and manager of hard assets, resorts, television and radio stations and companies servicing those industries.102 He contended that it had an asset growth of 40% per year, which had required a number of listed vehicles to maximise fund raising. He said capital had been raised at the expense of short-term profits, and justified the group’s modest dividends. The asset base was built around ‘cheap buys’ in its specialist areas - entertainment and leisure. This strategy ‘ran out’ at the end of Qintex's 1987 financial year. Skase said that Qintex was now in its ‘earnings phase’ and its assets would begin to yield ‘heavyweight’ earnings. The projected earnings were a strategic element of Skase's plans for the next two years, including the

100 *AFR* 17/9/87:75, *BRW* 31/7/87:41, 44, 47.
101 Minority interests took $4.6 of the $6.2m and preferences another $307,000 of 1985-86 earnings leaving $1.3m profit for distribution as dividends, mainly to Skase's private company. *AFR* 8/7/87:17.
corporate concentration. He predicted large profit increases for the group at a New York seminar sponsored by McIntosh.

The day the stockmarket crashed (Tuesday 20 October 1987), the Qintex group began restructuring with the company, which generated the most income. QAL offered 4 shares for 7 UTL for the outstanding 46% of UTL. This valued UTL’s 82m shares at $2.25 each, and was to be extended, with NCSC consent, to UTL’s August 1988 options. UTL’s small shareholders (1399) held only 13.5% of its shares, this facilitated the takeover. The crash hit entrepreneurial companies hard, and Qintex was among the highly geared companies, which fell sharply. Burden did not anticipate any problems with the offer after the crash, when QAL’s and UTL’s market prices gave it a 68c premium. UTL’s profit increased to $8.7m (from $7.5m) for 1986-87; but it did not pay a dividend, retaining cash for its parent after the takeover.

Acquisition of the minorities was expected to cost QAL about $100m. It had 37.5m shares on issue, selling at $3.55; it was currently raising $108m with a 4:5 rights issue, which added another 30m shares; a takeout of minorities would increase its capital further. Qintex, which had 11.75m QAL shares ‘took up’ its quota of rights after it raised $70m through a 3:4 issue of convertible shares and options at $6.

Rationalisation extended to MRT on 28 October 1987, when QAL offered disenfranchised MRT unitholders 2 QAL shares and 2 convertible preferences for 5 MRT units. This would condense the group into three public companies; the parent Qintex Ltd, its subsidiary QAL, and its subsidiary Qintex America. Skase attempted to minimise the cash component in the compression of the companies, and persuade the minorities to take paper. Australian Business reported that fund managers and

104 He said that 1988 profit would rise to $86m, before tax and interest, compared with $10m for 1987. The bulk of this ($45m) would come from 60% owned UTL. Skase said that the television network would add about $200m to group turnover of about $553m compared with television revenue of $41m in 1987. MRT would also declare a maiden profit. Australian 2/10/87:13.
105 Based on the previous day's closing prices. UTL’s issued shares rose to 82m after the takeover of Mackay Television. IPH had recently changed its name to QAL with very little fuss. Age 20/10/87:35. Australian 20/10/87:17. AFR 20/10/87: 18, 67. SMH 20/10/87:27.
107 Australian 28/7/87:12.
other large shareholders who held about 30% UTL between them would accept his offer. 108

The Gold Coast Marina Mirage, with both boating, and a restaurant and shopping complex, opened in May 1988. This was connected to the Mirage hotel and condominiums by an overhead bridge. It continued to project the group’s emphasis on a glamour image and targeted the upper socio-economic strata with ‘quality’ merchants. The ground floor Boardwalk Level housed restaurants, an international food court and coffee shops, souvenir shops and utility stores, and the first floor Lobby Level housed specialty exclusive retail stores. ‘The focal point of the first floor was a “Fashion Court”’ 109, which sold ‘renowned labels’ and projected ‘an air of sophistication and elegance’, had superior furnishings and ‘fit-outs’. 110 The entrances, which were carpeted, led to an ‘ornate sort of floor’ surrounding a central ‘antique sort’ of fountain. 111

Skase and his wife were directly involved all stages of planning, including leasing arrangements. They prepared ‘a list of (preferred) nominated tenants and usages’ according to ‘the standard of tenant that would suit the Mirage concept.’ 112 The list included many retailers from Double Bay in Sydney and Toorak in Melbourne plus several ‘name’ designers such as Louis Vuitton, and Gucci. Both of them attended meetings to discuss leasing at Marina Mirage, where Pixie suggested two possible fashion accessory retailers, one of whom (jewellery wholesaler Susan Pender) became a tenant. 113 The Port Douglas marina complex had five restaurants, 40 specialty shops and a first stage of 104 marina berths. 114

Marina Mirage, which was advertised as ‘a prestigious retail outlet within the select cosmopolitan environment’, had 8841 sq. m of retail space to let. Ground floor
rentals were $546 to $757 a m², and those on the first level $364 to $500 a m². These rentals were lower than prime Surfers Paradise ground floor retail rentals of $857m² to $1528m² according to floor area, but higher than first floor shop rentals of $273 to $279m².\textsuperscript{115}

The location caused some problems. The Spit, on the northern fringe of the tourist strip, is not as accessible to the passing mass tourist trade as other Gold Coast areas. It also had to compete with other new retail property developments in more populated Surfers Paradise and Southport.\textsuperscript{116} The complexes targeted potential consumers among local residents as well as tourists. Tabart said that tourists requirements and expectations changed, and contemporary ‘sophisticated tourists’ prefer ‘multi-faceted marketplace centres, ...(including) Qintex's new Marina Mirage centres’, where they spend a lot of time and money, to ‘traditional passive attractions such as museums’.\textsuperscript{117}

Qintex America declared a pre-tax profit of $2.18m for 1986-87, compared to a 1985-86 loss (See appendix 2). It deducted $1.17m for minority interests. The result included $2.2m interest, and $506,000 depreciation. Its US investments did not show a profit. It did not specify what percentage of the profit came from QAL’s $12m in-group purchase of its jewellery business. Skase claimed it would pay dividends in 1987-88. In seven months its debt rose from zero to $68m (See appendix 2).\textsuperscript{118}

Qintex began an aggressive US coast-to-coast advertising campaign, with full-page spreads in \textit{The New York Times}, the \textit{LA Times} and \textit{USA Today}, to publicise Princeville and encourage cash flow, and to complement proposed changes in its

\textsuperscript{117} \textit{AFR} 29/3/88:34.
\textsuperscript{118} \textit{AFR} 27/10/87:31; 9/12/87:20.
facilities and image ‘compatible with the Mirage resort philosophy’. It targeted the affluent leisure market from Asia, North America and Northern Europe, with the Mirage concept. Skase proposed measures to attract Japanese tourists who loved Hawaii, but rarely visited Princeville.

MRT's six months report to 31/12/87 indicated cash flow problems. It had spent $342m and committed another $45m, compared with a predicted (1987) $330m. It planned to divest itself of non-media and leisure assets. It sold four radio stations (apparently defined as non-media) ($31m) and two properties ($24m). It sold the Maroochydore shopping centre for $19m ($7.6m cash and a large number of convertible shares in the purchaser, Brisbane ‘second board’ company Q-Vest). This theoretically gave Qintex 70-80% of Q-Vest's enlarged issued capital, but Q-Vest directors retained 50% voting rights.

MRT released its last annual report and reported an operating profit of $500,000 in 1987-88 compared with the previous year’s $766,000 profit (See appendix 2). It paid QTTC $500,000. The media reported that analysts considered the Mirage resorts ‘strong earners’. Skase said they would not sell any part of the three resorts.

A number of recalcitrant MRT unitholders refused to sell their units after QAL had gained 88%. Because it was a trust Skase could not use the Companies Code’s 90% compulsory acquisition rule. Skase denied needing 100% of MRT for cash flow purposes: as a trust its pre-tax earnings reverted to the trust manager, another Skase controlled company. A trust must declare out its entire pre-tax profit Qintex received nearly 90% of that. Skase said ASX could suspend MRT for deficient unitholder

119 Organised by Mojo MDA, the Australian agency responsible for the Australian Mirage advertising.
121 Australian Business 16/3/88:11
122 Peter Burden claimed that the properties, one at Airlie Beach and one on the Gold Coast, were peripheral to the groups leisure and tourist development. Age 8/4/88:17. Australian Business 20/4/88:44-47. AFR 8/4/88:16.
numbers. Qintex controlled 88% of MRT; it could change the business, the trust deed and the trustee if it wished.  

Amid rumours that the group planned to sell part of the resorts to Japanese interests, Qintex America offered $US15.50 ($A17.80) a share for the remaining 47% of PDC. Investment bank Shearson Lehman advised Independent directors that the offer was too low. In their 14D-9 notice lodged with the SEC in Washington they recommended $US18.68 ($A21.3). Skase had ‘valued up’ the PDC holding: it cost $A70m, its book value was $A85.5m, but an unknown valuer (possibly Skase) had recently valued it at $A23 a share ($A250m or $US200). Minority PDC shareholders tried to raise the price. They used the stronger US securities regulations, and compulsory disclosure laws to gain information about any proposed sale. Their authorisation, granted on 4 October 1988, to explore potential buyers, was too late to produce any realistic buyers.  

The US District Court rejected an appeal by independent director Richard Blum against the tender offer to minorities, because it was too late. He attempted to have the court force Qintex to increase its ‘unfair, coercive, and deceptive’ offer. He said that reporting requirements diminish when one party holds over 90%, as does the market for the remaining shares. The sale of 49% of Qintex tourist resorts two months later, discussed below, valued the PDC shares well over $US15.50 each.  

Qintex America continued to report increased profits in the January half 1988: ($401,000 up from $250,000 in the previous corresponding period). It did not pay tax, because it carried forward earlier losses. It did not declare a dividend. An

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126 The offer had previously been described as inadequate. Qintex launched the tender to circumvent an offer it made when acquiring 49% of PDC; it agreed to buy out minorities at $US15.50, or pay the difference between that price and an average trading value over a certain period. *SMH* 17/11/88:32.  
127 The US equivalent of a Part B directors’ response.  
unexplained minority interests credit of $200,000 lifted net profit to $601,000. The results included Princeville, but no media operations.\textsuperscript{130}

Continuing the group’s ‘rationalisation’ QAL took over its 55% subsidiary Qintex America with a 2-for-5 share offer in September 1988. This offer valued QAL shares at $1.50 (its last share price was $1.90) when 2.6m Qintex America shares were sold for 60c each. This raised doubts about QAL’s asset backing, which some brokers had estimated to be about $4.50.\textsuperscript{131} Directors, on both boards, could not comment. The independent expert CIBC Australia Ltd recommended the offer. Its report included a consolidated balance sheet of the two companies. This included virtually all the Qintex assets and assumed some injection of cash from options and new shares.\textsuperscript{132}

The report shows\textsuperscript{133}:

\begin{itemize}
    \item Total assets $2.5b
    \item Total liabilities $1.57b
    \item Short-term borrowing $480m
    \item Long-term borrowing $856m
    \item Net assets $957m
\end{itemize}

After the takeover Skase indicated that Qintex would continue overseas expansion with further US tourism operations in California and Florida. It hoped to keep manageable debt levels with US and Japanese joint-venture capital. It planned renovations at Princeville to raise the aggregate value of the three resorts to $1b. It anticipated $75m a year revenue from Princeville. This is considered further after the

\textsuperscript{129} Australian 17/3/89:4S. SMH 17/12/88:29.
\textsuperscript{130} FR 6/5/88:22.
\textsuperscript{131} SMH 8/8/88:35. A later report showed that QAL closed at $1.80 and Qintex America closed at 63c. AFR 6/9/88:31.
\textsuperscript{132} SMH CBD suggests that FAI provided about $20m at 25% interest. SMH 14/9/88:47.
\textsuperscript{133} SMH 14/9/88:47.
analysis of the group’s media investments, which became its major source of income, in the next chapter.\textsuperscript{134}

This chapter demonstrates how Skase’s postmodern business strategies conform with Harvey’s macro-theory. The financial arrangements of Skase’s ventures repeat the postmodern themes of decentralisation, deconstruction of the banking system, and flexibility and short term planning (see Chapter 1 p.7-8). Finance capitalism and the newly deregulated banking system outlined in Chapter 1 gave Skase access to the ‘fictitious capital’ which allowed him to develop his tourism mirage. Architect Des Brooks reproduced postmodern themes with his ‘happy’ playful’ architectural images.

Emphasis on the privileged ‘new leisure class’, which consumed conspicuously was consistent with the ways in which ‘ephemeral images’ became commodities (see Chapter 1 p18-19). The next chapter analyses the group’s further expansion of ‘ephemeral images’ within the media industry, which was concurrent with the tourism industry analysed in this chapter.

\textsuperscript{134} Australian 22/9/88:15.
Chapter Six

Media

In July 1987 Skase expanded his spatial reach, and ‘made it’ into the national television scene, when QAL bought the 7 Network from Fairfax interests. By April the following year the Qintex group had the largest national television coverage in Australia. This was the culmination of a long term strategy to become pre-eminent in the electronic media which Skase pursued from 1976 starting with small investments in Victorian rural television.¹

This chapter covers the group’s media expansion onto the national arena, and its later attempts to expand its media interests internationally, with the acquisition of an interest in Hal Roach Studios. This expansion follows Qintex’s earlier attempts to acquire television interests, which culminated in its acquisition of Universal Telecasters (Channel 0) (UTL) Brisbane and the Queensland regional company Wide-Bay Burnett, analysed in chapter 4. The group’s media interests became its only source of positive cash flow from the beginning of 1986 until the beginning of the group’s final year, 1989.

Qintex’s expansion of its media interests - its ‘provision of ephemeral services in consumption’ which stressed ‘instantaneity’ and ‘disposability’ - continues the illustration of Harvey’s ‘Condition of Postmodernity’.² Skase outmanoeuvred other entrepreneurs to acquire the 7 network. His use of ‘creative accounting’ and other techniques of ‘flexible accumulation’, ‘fictitious capital’ and the associated ‘casino economy’, frequently provided by ‘new’ foreign banks, or non-establishment institutions such as the merchant bank Tricontinental, is demonstrated repeatedly, for

¹ Australian 7/4/88:1,11,12
example in Qintex’s reckless, abortive attempt to take over AWA and Tricontinental’s imprudent banking contribution.

The ‘Red Queen’ element is increasingly apparent in the group’s media interests. Each ‘deal’ was bigger and better than previous ones, and used to conceal fundamental financial problems. Late payment of instalments for the 7 network, and Skase’s optimistic valuations based on inflated asset values indicate Qintex’s ever present problems with cash flow and financing. He claimed profits from sales, which ignored Qintex’s interest payments made on their purchase, or which ignored the fact that they were sold on time-payment. A statement by Ian Cameron-Smith, a director of Hambros Securities Ltd, which conducted valuations, illustrates the ‘irrational exuberance’ of the time. He argued that for investors in the Australian electronic media at that time:

a myriad of factors make assets warrant high prices paid. PE ratios fail to take into account the fact that assets can be of more value to particular purchasers amidst a 'government sponsored oligopoly'. (He said) ... that valuations took into account factors other than PE ratios and returns on assets and claimed that the price paid for Packer's electronic media was reasonable even cheap; current worth appeared to be based on expected revenues. A national network can offer a one-stop shop for advertising.  

This chapter shows that Skase attempted to create a more conservative image of respectability and financial security as he predicted improved performance. He seemed to claim that he had progressed from a postmodern, corporate raiding, asset-stripping entrepreneur to one who controlled hard assets. He was the only new Australian television entrepreneur to add value to his enterprise. His arrogance was consistent with Argenti’s representation of the dictatorial leader of ‘type 2’ failed companies. The abrasive, high-handed way in which he sought to change broadcasting legislation, when his purchases exceed the limits defined in the act, demonstrates this.

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3 AFR 27/1/87:30.
Skase made his initial television purchases during what Cunningham calls television’s ‘high point of profitability’ (from 1975 to 1987). It followed the introduction of colour television. This was technical innovation in Australia, which created new advertising markets in Australian television. Rapid ownership changes which occurred in the mid 1980s, contrasted with the relatively stable ownership patterns of the previous two decades.\(^5\) The government, through the Australian Broadcasting Tribunal (ABT), restricted the number of television licences in any area according to ‘financial viability criteria’. It limited owners to two commercial stations. Although there was no ‘free market’ television ownership, no restrictions were placed on cross media ownership, and the major print media owners also controlled television stations in the same area.\(^6\)

By 1986 the industry’s overall condition was poor in terms of profitability. Almost uniform ratings gave no station an advantage in setting advertising rates. Increased costs compounded the ‘soft’ advertising market. The valuations of metropolitan licenses increased however. Skase introduced a new concept in 1986, when he valued TVO’s license separately at $57m-100m (TV0, including buildings, cost $34m in 1984).\(^7\) Previous owners did not ascribe a separate value to the license, but included it in the valuation of the whole station. In 1985-86 television contributed 80% of UTL’s earnings (50% in 1985). It posted a record $7.5m profit and increased its final dividend by 2c to 6c/share.\(^8\)

The increase reflected Skase’s determined attempts to improve TVQ0’s ratings, which was lower than other Brisbane stations. Qintex restructured the company in 1985/86 and rationalised its management; it introduced a new hour-long

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7. Bond Corp’s acquisition of QTQ9 Brisbane in late 1984 for $65m contributed to increased valuations. *Age* 10/5/86:25,27. Some months later, as shown in the preceding paragraph, Skase valued UTL’s licenses at $70-75m.
news service; it acquired Wide Bay-Burnett SEQ8; and it sold the Wilco business in an in-group sale. Turnover dropped from $71.43m (which included the Wilco timber business) to $39.33m. Both TVQ0 and SEQ8 had increased market share and boosted revenue by 20%. UTL’s investment income rose from $812,000 to $3.1m, mainly AWA dividends. UTL recorded no tax expense for the second year in a row, due to a high dividend income and utilisation of the previous year’s tax losses.

In November 1986 the Federal government announced a new *laissez-faire* media policy, which the Senate passed on 2 June 1987. This led to a rapid change of television ownership and the creation of television networks and thus to Qintex’s acquisition of the 7 Network. Although the new, virtually free, system did not open a ‘free market’ in television licences it did allow one proprietor to own several stations, limited only by a defined reach of the national television audience (audience reach limit - the maximum number of viewers one owner may reach). It did, however, introduce cross media ownership restrictions: an owner was limited to one form of media ownership in the same market.

The audience reach limit was set at 60%, which was a compromise to secure Senate approval. The network owners immediately pressured the Government to increase the limit. The new legislation included the aggregation of regional television broadcasting which reorganised ownership and allowed broadcasters to expand their audience reach into neighboring areas in direct competition with each other. It created four markets with three operators in each, and led to the establishment in 1987 of three major television networks which dominated the industry; Bond Media’s NINE Network, Lowry’s TEN Network and Qintex’s ATN (Australian Television Network-
7), none of whose proprietors had any real television ownership experience. It was a political move to give country viewers (and voters) a wider range of viewing options. Regional stations developed a more direct relationship with capital city networks than previously.\textsuperscript{12}

Postmodern spaces had expanded and networks became central to survival in the industry. After aggregation UTL had 58\% audience reach. Skase claimed that deregulation would increase the license values. He hoped to take advantage of deregulation: and, in February 1987, considered buying Murdoch's television interests, but they were too expensive. This was one of the few times he paid heed to excessive costs!\textsuperscript{13}

Qintex proposed to broaden its media interests to include radio, which under the 1987 legislation counted as cross media ownership. In June 1985 UTL acquired Barrier Reef Broadcasting Ltd, which operated Mackay radio station 4MK, at a probable cost of $7m.\textsuperscript{14} It also made its unsuccessful attempt to take over AWA, which began in May 1986 and ended when Qintex withdrew its offer in February 1987. At the time of his bid for AWA, Skase apparently sold 4MK, for $6m to Sydney based media buyer Harold Mitchell, with a 12 months' buy back option, to comply with the Broadcasting Act.\textsuperscript{15} UTL paid an estimated $50m cash for Brisbane radio station FM104 (including its freehold property and offices). It planned to use FM104 as a base to expand its radio interests.\textsuperscript{16} UTL was interested in radio both for

\textsuperscript{12} \textit{Age} 13/4/87:32.
\textsuperscript{14} From Southern Cross Communications (formerly VBN) which Skase attempted to take over in 1981. At the time of the sale Southern Cross was owned by former primary industry minister Peter Nixon, the Meyer family, Meyer and Herald director John Dahson, and Dick Pratt Victorian Liberal Party member. \textit{Age} 5/6/85:25. \textit{Australian} 7/6/85:13. \textit{AFR} 30/7/85:46. \textit{Australian} 1/5/86:16.
\textsuperscript{15} From Stereo FM, an unlisted public company with about 100 shareholders including 48\% Fairfax. \textit{Age} 2/6/87:38. \textit{Australian} 2/6/87:15. \textit{AFR} 2/6/87:18. \textit{SMH} 2/6/87:29.
its potential profits and for its cross-promotional benefits to an associated television station.\textsuperscript{17}

The ‘casino economy’ is evident in Qintex’s abortive AWA take over attempt, which was indicative of the type of ‘casino capitalism’ of the period. It was a 1980s postmodern ‘hotchpotch’ of irresponsible banking and reckless investment. The decision to take over AWA was the sort of unplanned, impulsive, and improvised act, which Harvey argues is a postmodern feature. Qintex’s then General Manager Investing, Stefan Borzecki, called it a ‘strange investment’ which conflicted with the group’s ‘purchasing plan’.\textsuperscript{18} When research valued the shares well below their purchase price, Skase justified it by manipulating and inflating values such as the earnings factor in Price Earnings ratios and property values. Tricontinental, which never questioned Qintex’s submissions, accepted the optimistic valuation uncritically without further risk analysis. Its submission to the board was acutely ‘ambiguous’. The directors approved the loan subject to Tricontinental carrying only $25m of the $75m facility and syndicating the rest. Contrary to the board’s instruction Tricontinental’s letter authorised the loan, but retained the right to syndicate the loan, should it wish to do so. Despite the directors’ proviso the loan was never syndicated; the State Bank of Victoria and the State Bank of New South Wales refused the offer. In January 1986 Qintex drew against this facility for other purposes. When the AWA take over fell through Qintex sold its AWA shares and used the money from the facility within the group without reference to Tricontinental. QAL shares replaced the AWA shares as security. QAL was effectively borrowing against itself.\textsuperscript{19}

\textsuperscript{17} BRW 18/9/87:16.
Media expansion into USA started on 5 January 1987 when Qintex America completed an agreement to spend up to $US84m ($A127m) to acquire more than 50% Hal Roach Studios Inc. (Los Angeles) from its (Canadian based) majority shareholder International HRS Inc. Hal Roach’s share price increased dramatically just before the agreement was announced, but its senior vice president of finance, Jonathon Lloyd denied any connection. Qintex America paid about $US34m for 35% of the equity in Hal Roach Inc, with options which enabled it to increase its holding above 50%. Qintex appointed two representatives to the Hal Roach board.

Qintex set up a (Dutch sandwich) tax minimisation scheme through a series of subsidiaries, for its overseas media investments, similar to that established for the American resorts.

Qintex America Ltd
Qintex America (Media) Unlimited (UK)

Qintex Media Limited NV (Netherlands Antilles)
Qintex Media BV (Netherlands)

Hal Roach was not listed as a subsidiary of Qintex Media BV because the shareholding was below 50%. Although the other companies in the chain are listed among QAL’s subsidiaries in 1987, they do not appear in its 1988 annual report.

21 The financial media were confused about the size and cost of the initial holding. Early reports suggested that Qintex had acquired 41% of the company for $US34m, but later reports stated that Qintex held 34-35%. Age 8/1/87:15. AFR 8/1/87:8; 8/7/87:17; 24/7/87:26. BRW 10/7/87:44. SMH 8/1/87:17. Skase later wrote that Qintex America initially acquired 12.5% of Hal Roach, but planned to increase this to just over 51% by placement and purchase from the present controllers. C.C. Skase 'An American Experience' JASSA No2/,7/87:11-13. QAL Annual Report 1987:16.
Hal Roach Studios was a listed company capitalised at $US65m; its assets were:

1. A film library, which included the old Laurel and Hardy films. 1,000 film titles in three sections - the original Hal Roach library, acquired film rights and public domain films.
2. A film production company. Hal Roach, with 22%, was the largest shareholder in the public listed company Robert Halmai Inc., an American Stock Exchange-listed company then producing networked movies and the television series Crossbow.
3. Film colorisation, a technique for colouring black and white films. It had trademarked film 'colorisation' technology and controlled 50% of Toronto based Colorisation Inc. one of two companies in North America specialising in the process. The best films in the original library were being progressively coloured. It had recently signed an agreement with Kerry Packer's group PBL Marketing to distribute colourised films in Australia. In June 1987 the US Library of Congress ruled that colorised old black and white films were eligible for new copyright protection.
5. 20% of HR Broadcasting Corp Inc which held two television stations in Milwaukee, Wisconsin and in Birmingham, Alabama.

There was some discrepancy about the values of Hal Roach’s assets. Qintex's high entry price valued them much higher than Hal Roach had a month earlier, in documents lodged with the US Securities and Exchange Commission when it made a $US12m placement to institutions through Drexel Burnham Lambert. Skase's purchase of 42% had been on a projected multiple of 9.3 times 1986-87 earnings and a lower multiple of 5.6 times projected 1987-88 earnings.

Under Qintex management Hal Roach signed agreements with MCA Inc (parent of UTL Television) to colorise black and white television series including The Munsters, with projected gross revenues of $US100m for 5-8 years, and with Coca-Cola Telecommunications (whose parent company owned Columbia), to colour and distribute a black and white series, with predicted gross revenue of $US180m.

24 BRW 10/7/87:44.
26 AFR 15/1/87:10; 16/1/87:16.
27 Those multiples were projected by media analysts Jessica Reif of Arnhold and S. Bleichroeder and quoted in Forbes Magazine. 9/2/87.
($A253m), over 15 to 20 years. Colorisation was forecast to earn $US700,000 in 1987, its first profitable year.\textsuperscript{28}

Pre-empting the Federal Government's proposed media legislation, but after the release of a favourable Senate Select Committee's report, UTL launched a take-over bid, in April 1987, for the Queensland regional television company Mackay Television Ltd, which operated MVQ6.\textsuperscript{29} Mackay Television would expand UTL’s coverage of the Queensland market, to compare with Sydney and Melbourne television companies’ markets.\textsuperscript{30}

The price offered was very sensitive to fluctuations in share prices, particularly UTL’s. UTL, which held 19.9% of the company, offered $12 cash plus 10 shares\textsuperscript{31} for each Mackay share, valuing it at $38/share, which conformed with recent market valuations based on a very recent high UTL share price of $2.60 (against $2.40 a week earlier).\textsuperscript{32} An active market for Mackay shares was centred around Skase's business associate Harold Mitchell. He acquired 19.9% of the company’s shares, including part of a parcel of 10% traded through McIntosh, for an unidentified buyer, as well as 246,000 shares (about 18%) from the Grundy Organisation for which he paid $38 ($7 above the previous sale).\textsuperscript{33} Both Skase and Mitchell denied that these were bought for Skase. UTL had increased the original 4.9% held by Wide Bay Burnett with purchases including part of the 10% mentioned above. This was 76 cents per share over the public offer - which would breach regulations that tied the

\textsuperscript{28} This was based on a prediction by Roach president, David Evans, that an average title colorised would generate about $US500,000 in its first cycle. \textit{Age} 24/7/87:19. \textit{AFR} 24/7/87:26. \textit{SMH} 3/9/87:30.


\textsuperscript{30} Mackay’s broadcasting area was to be aggregated with Cairns/Townsville, and Maryborough covered by Wide Bay-Burnett would aggregate with the Darling Downs. The offer coincided with Bond Media's offer for TNQ. \textit{Age} 7/4/87:39,42. \textit{Australian} 7/4/87:12. \textit{AFR} 6/4/87:1; 4; 8/4/87:16. \textit{SMH} 7/4/87:25; 8/4/87:35.

\textsuperscript{31} Justifying the share portion of the offer Skase said that UTL had no debt and could afford cash but that the Tribunal wanted to maintain local ownership in the region.

\textsuperscript{32} Mackay had reported a 7.4% rise in profit in February 1987 and had increased its dividend from 20c to 25c. \textit{Age} 25/2/87:31

offer to the highest price offerers paid for shares in the four months preceding
registration of a Part A statement.\textsuperscript{34}

Mackay's board, advised by the Brisbane merchant bank David Graham and
Co, reserved its decision on the offer, but Mackay made a 1-for-2-bonus share issue,
which lowered its individual share price.\textsuperscript{35} UTL share price fell, reducing the offer’s
value: in May McIntosh ‘specialled’ 1.6m UTL shares at $2.00 each. It closed at
$1.80 on 4 June 1987.\textsuperscript{36}

Two days after the Senate passed the Federal Government's new media
legislation on 2 June 1987 UTL released its Part A statement on the Mackay take over
to the Stock Exchange.\textsuperscript{37} The statement, originally expected by 15 May, was delayed
by ‘the overseas travels of UTL directors’. Skase was reportedly 'busy setting up
Qintex America', and could not be contacted.\textsuperscript{38} Before the statement was delivered
UTL acquired Brisbane radio station FM104.\textsuperscript{39}

UTL amended its offer to $8 cash and seven UTL shares, with a cash
alternative composed of an initial issue of 14 UTL shares per Mackay share.
Acceptors could then sell their entitlement to UTL shares to existing UTL
shareholders for $1.80 (10c over last sale), underwritten by McIntosh. IPH took up its
entitlement under this scheme to maintain its equity. Mackay directors recommended
acceptance in their Part B Statement. Mitchell indicated that he would accept,
although Barrier Reef only made a small profit.\textsuperscript{40} UTL acquired full control of
Mackay by the end of August 1987, at a cost of $40m, with a final offer of $8 cash

\begin{thebibliography}{9}
\bibitem{34} \textit{AFR} 14/4/87:16.
\bibitem{35} \textit{AFR} 13/4/87:19.
\bibitem{36} \textit{AFR} 6/5/87:30; 20/5/87:16; 5/6/87:21.
\bibitem{37} \textit{AFR} 4/6/87:6,17.
\bibitem{38} \textit{AFR} 27/5/87:16.
\bibitem{39} From Stereo FM, an unlisted public company with about 100 shareholders including 48% Fairfax. \textit{Age}
\bibitem{40} \textit{Age} 10/7/87:25. \textit{Australian} 10/7/87:18. \textit{AFR} 10/7/87:27; 15/7/87:51. \textit{SMH} 10/7/87:27.
\end{thebibliography}
and 10 UTL shares (alternatively 14 UTL shares). This compared with $37m paid for Wide Bay-Burnett Television (SEQ8 Wide Bay) in 1985.

On 24 July 1987, while negotiating for Mackay Television, Qintex bought John Fairfax Ltd's three television stations (BTQ7 Brisbane, HSV7 Melbourne, and ATN7 Sydney) for $780m, with an initial payment of $25m, and the rest on interest-free time-payment: $470m due 30 November 1987, and $285m due August 1990 (saving about $149m interest). At the same time Fairfax agreed to inject $100m in the form of shares and convertible notes in UTL on 30 November.

Skase displayed Harvey’s ‘swift, decisive, and well-informed decision-making’ when he expanded Qintex’s spatial media horizons and acquired the 7 Network very quickly. One journalist described it as 'a sweetheart deal with a former employee'. He began discussions with John Fairfax Ltd CEO, Greg Gardiner, on 1 July 1987, and signed the agreement at 2.30am on 24 July. He was in Africa for part of that time and negotiated by telephone, with a final personal meeting on Thursday 23 July. Two other parties, who may have paid more than Skase, were negotiating for the network, including late into the night on Thursday 23 July. One of them, Kerry Stokes, thought that he had bought it. He believed his detailed negotiations with Macquarie Bank, started in May, were finalising terms of the deal. The Victorian State Government had been involved in some negotiations in an attempt to retain direct Victorian control of the Melbourne station, HSV-7, and was disappointed that it failed to ensure Melbourne-based ownership.

41 At the same time the Albert family sold the 6% of ATN7 Sydney, which it had held for a long time, to Skase. Australian 24/7/87:2. JASSA No2,7/87:13. Times on Sunday 26/7/87:1.
42 It was revealed in John Fairfax Ltd's Part B response to Warwick Fairfax's $2,550m bid for the company, at the end of October, that Skase had a put option under which Fairfax could be required to buy back the television assets at $285m before 13/10/90, or $385m between then and 13/4/92. Age 31/10/87:25. Australian 28/7/87:12. SMH 31/10/87:35
44 Australian Business 19/8/87:5,35-36.
45 Just before Skase went on an African animal safari with Robert Halmai.
46 Australian 27/7/87:11,12. AFR 27/7/87:1; 31/7/87:22. SMH 30/7/87:25. Times on Sunday 26/7/87:1.
The Federal Government claimed that Qintex’s take over of the 7 Network vindicated its media legislation. Senator Gareth Evans, Minister for Transport and Communications, labelled it ‘an excellent example of how the government's media legislation (was) working to inject more competition into the industry in Australia’.47 Key media controllers were compelled to choose between newspapers and broadcasting: independent media owners had increased from four to six. Evans suggested that some elements of the take over would ‘require monitoring over the next few months’ but did not clarify this.48 A *Sydney Morning Herald* editorial argued that although Skase's acquisition of the 7 Network signaled the end of cross-ownership of print and television media, it would increase concentration of mass-market print media ownership. Rationalisation would secure considerable marketing advantages, but concentration would create redundancies.49

Skase’s high profile image as a speculator with an 'uncanny knack ... to make big debt-financed acquisitions pay',50 somewhat modified media speculation about Qintex's method and means of payment for the network. Speculation concentrated on the group’s high gearing and use of ‘fictitious capital’, and considered the potential impact of a possible economic downturn, or the effects of increased interest rates on Qintex's high gearing ratio.51 At the same time Skase continued his policy of ascribing very high values to the group's assets. Heavy gearing, and high values for assets which provided the security for debts, continued to be a feature of Qintex’s growth. They were features which persisted until the group collapsed.

Potential sources of funds included TVQ0 (about $120m), the sale of the other television and radio stations (about $220m), and the recent capital raisings for the

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49 Editorial *SMH* 27/7/87:12.
50 *Weekend Australian* 25-26/7/87:16.
51 *Weekend Australian* 25-26/7/87:15.
proposed Qintex group consolidation (IPH had raised $108m). UTL was believed to have $13m cash on hand, and $10m in investments. The media assumed that UTL would need to borrow an additional $200m, and keep the other $285m in its books as a deferred liability, with three years to determine how to pay it. 52 Rivkin analyst Neil Colledge estimated that UTL would have total assets of about $1,000m and debt between $550m and $600m; the deferred payment mitigated the size of the gearing ratio. Colledge calculated that the payment terms saved $150m in interest, reducing the effective price to $600m. 53

Skase said he insisted that the interest bearing debt be minimal when he negotiated the deal, and that some of the price be ‘turned back’ into the group. Australian Business calculated that the initial $470m would carry only $89m debt, which would generate $11m interest at 12%. Skase claimed that media earnings exceeded interest costs, based on aggregated pre-tax income net of borrowing costs of SEQ8 ($4m), MVQ ($3m), FM104 ($6m).

The structure, which Skase used for the purchase of the 7 Network, conformed with the projected group rationalisation. Between them Fairfax and QAL (IPH) would inject $200m ($100m each) in new equity in UTL which Burden said would bring its valuation to $400m. Skase, with his usual propensity for inflating asset prices, predicted a $100m gross profit from the sale of TVQ 0 (which had cost $34m plus unmentioned interest). 54 In November 1987 UTL's shareholders approved the placement of $200m unsecured 50c notes at $100m each to Fairfax Corporation Ltd, and Qintex Investments Pty Ltd, convertible between 31 March 1988 and 31 July 2007. 55

52 Age 25/7/87:6,7.
54 Age 25/7/87:23. JASSA No2,7/87:13.
As part of its contract with Qintex Fairfax could not sell its notes. After rationalisation it would exchange potential UTL stock for potential QAL shares, to be converted to shares progressively as QAL’s capital expanded, conforming with Broadcasting Act requirements. After the take over John Fairfax Ltd would hold an initial 5% of QAL shares, which could increase to 15% through ‘a convertible instrument’ as and when Federal Broadcasting legislation requirements changed. Qintex Ltd would retain over 50% as Fairfax neared 15%. When rationalisation was completed and Qintex Ltd bid for the minorities in QAL, Fairfax would become a Qintex Ltd shareholder. Skase said that the group would not start any more general equity raisings in Australia, conforming with his undertaking to institutional shareholders.

Skase made immediate moves to establish good staff relations in the 7 Network, as he had at TVQ0. He reassured the Australian Journalists Association and Actors Equity about job security for Melbourne based journalists and television industry workers, and proposed to spread production between Brisbane, Sydney, and Melbourne. He addressed the staff of HSV 7 in their Melbourne studios on closed circuit television, and told them that the station management answered to himself and Bob Campbell, not to Sydney. To improve ratings, Skase had to recapture the Melbourne audience, which Fairfax lost by networking from Sydney. He reassured Victorian Premier Cain about the station's future during a half-hour discussion in August 1987.

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56 This was part of the agreement between Fairfax and Qintex when the 7 Network was purchased for $780m. Age 20/10/87:35. Australian 20/10/87:17. Australian Business 4/11/87:29-30. AFR 20/10/87:67. SMH 20/10/87:27.

57 Australian 28/7/87:12.


59 Age 25/7/87:6,7.

60 The staff gave him a standing ovation. Age 14/8/87:6. SMH 27/7/87:29.

61 Age 25/7/87:6,7; 30/7/87: Green Guide, p.1,12.

62 Skase met with Cain to determine the Victorian government's attitude to local production and investment in HSV-7. Age 15/8/87:16.
Several weeks of media speculation over the future of TVQ0, spurred by Skase’s claim of nine expressions of interest, ended when its sale was announced in September 1987 to Darling Downs TV for $123m, on deferred payment ($25m payable in 60 days and $98m due July 1991). This conflicted with Skase’s earlier claim that financing for the Fairfax transaction included a profit of $100m on this sale. He said later that the postponed $98m would be raised either by discounting this amount through a financial house or bank (at about 10%), or on a zero interest coupon. Skase also said that he would not use these funds in any event; because the group would raise about $80m from the coordinated disposal of peripheral assets. The media speculated that Skase had a guarantee from Fairfax that TVQ0 would realise at least $90m; Skase challenged this, but did not deny that Fairfax had effectively underwritten $90m for TVQ0.

This was the last sale of a Qintex asset of any note not subject to capital gains tax.

In October 1987, Hal Roach Studios Inc., a distribution company, merged with New York television movie and mini-series production company Robert Halmai Inc. (the largest US independent television movie maker) in a share swap, valued at about $115m. Qintex then held 34% of Hal Roach, with an option to increase that to 57%. They created a new parent company called HRI Group Inc. to own both Roach and Halmai. It was renamed Qintex Entertainment Inc. and listed in the US in April 1988.

Robert Halmai Inc, which had returned a $5.7m profit in 1986, reported a shortage of operating funds to the US SEC on 31 May 1987. Qintex America, which owned or had the option to acquire 57% of Hal Roach, pledged a minimum of SUS70 ($A98m) in a line of credit, as part of the merger with Hal Roach. Qintex America

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64 Skase did not mention that this which would merely postpone the interest payment.
would then own or have the option to buy up to 51% of the HRI group within a year.\textsuperscript{70} In May 1988 MCA, the US television company that had an option over 10% of the 10 network, acquired an option over shares in HRI Group (QEI).\textsuperscript{71}

The networks pressured the Government to increase the limit the minute parliament passed the new legislation. A leak suggested that the Federal Liberal – National Party opposition possibly supported them. Skase said Qintex would consider buying Holmes à Court’s TVW-7 Perth if it were lifted.\textsuperscript{72}

The cross media ownership regulations precluded ownership of television and radio stations in the same city. Two months after announcing that UTL would complement its television interests with radio, Qintex withdrew from negotiations to purchase AWA radio stations.\textsuperscript{73} It sold its radio assets in March 1988.

*Australian Business* edited by Trevor Sykes, Skase’s former boss at the *Financial Review*, interviewed Skase in November 1987 and gave the Qintex group a more positive label. Following this article Australian Ratings announced that it would marginally upgrade Qintex’s credit rating, which it had lowered during the attempted take over of AWA.\textsuperscript{74} It described the group’s evolution from equities trader to the owner of hard assets. He noted that the expansion was predominantly ‘equity fund(ed)’ rather than loan-driven. It also noted, however, that the ‘proliferation of individual corporate entities and interlocking shareholdings’ obscured a full assessment of any one part of the group.\textsuperscript{75} In fact Qintex used this collection of mostly 100% owned proprietary limited companies to hide the extent of the group’s debt, and to hide deviant activities.

The writer appears to have ignored any possible hidden interest associated with the purchase of assets being sold, including TVQ0, and assumed the group would be ‘relatively debt free’ after UTL made its second payment for 7 Network, at the end of November.

\textsuperscript{70} *BRW* 6/11/87:77-79.  
\textsuperscript{71} *AFR* 16/5/88:34.  
\textsuperscript{72} Under the new legislation Holmes à Court had to sell the television station if he wanted to keep *The West Australian* which he had acquired earlier in 1987. *AFR* 23/12/87:17.  
Table 6.1 *Australian Business* estimate of how Qintex would pay for the 7 Network.  
The Fairfax Equation  

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from IPH rights issue (Also marked for the US investments, according to reports earlier that year)</td>
<td>108</td>
</tr>
<tr>
<td>Proceeds from sale of TVQ-O (deferred payment)</td>
<td>123</td>
</tr>
<tr>
<td>Contributions from Fairfax</td>
<td>100</td>
</tr>
<tr>
<td>Group liquids</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>381</td>
</tr>
</tbody>
</table>

Projected earnings before interest and taxation of $86m for the current fiscal year were nearly double the costs (about $47m at 12% interest) of servicing its estimated $390m debt (See table 6.2).  

Table 6.2 Group Debt  

<table>
<thead>
<tr>
<th></th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax (interest free due 31/8/90)</td>
<td>285</td>
</tr>
<tr>
<td>Trade creditors (no interest cost)</td>
<td>225</td>
</tr>
<tr>
<td>Interest bearing debt</td>
<td>390</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>900</td>
</tr>
</tbody>
</table>

Skase identified two crucial decisions in the group’s development: the purchase of TVQ-O for $34m in 1984, and the successful bid for the 7 Network. He had apparently forgotten that the purchase of Hardy Brothers jewellery business (then an unfinancial embarrassment) had ‘really put the coal in the engine’ and the big cash injection from the

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sale of IPH’ assets.

_The Australian_ suggested that Skase was moving to create a more conservative image after Qintex Ltd, QAL Ltd[^79] and UTL all held their 1987 Annual General Meetings in the second week of December 1987.[^80] Skase stressed the group's primary focus as a service industry group, with two divisions; media and entertainment (65% group assets) and resorts and leisure (35% group assets). He predicted a buoyant 1987-88 with benefits from Brisbane’s Expo 88 and the Australian Bicentenary to the tourism, advertising and broadcasting industries.[^81] He claimed assets were conservatively valued, and with $215m cash-in-hand the present assets to debt ratio was 4:1.[^82]

UTL was three weeks late, and $60m short, with the $450m payment due to Fairfax on 30 November 1987, which contradicted this statement. The shortfall was paid in March 1988, after asset sales discussed below. UTL claimed that Fairfax had caused delays in drawing up the contract. A spokesman for Skase said that Fairfax had paid the $100m at the same time, covering its investment in the group.[^83]

In a report accompanying QAL’s offer for UTL, prepared before the Bell acquisition and excluding overseas earnings, CIBC Australia estimated its Australian broadcasting operation ‘(annual) future maintainable earnings’ were $58m. Its internal forecast was $115m profit before interest and tax, but this figure included investment and

[^79]: Whose shareholders approved a 1:10 bonus issue. _Age_ 18/12/87:19. _Australian_ 18/12/87:12. _AFR_ 18/12/87:33.

[^80]: Skase said that the company aimed to have half its assets in the US within five years, involving $1b growth there. He said that co-operation was growing with the Sheraton group and its parent ITT which already had $6m in Qintex equity. Qintex were looking for resort growth in Hawaii, California and Florida. _Age_ 18/12/87:19. _Australian_ 18/12/87:12. _AFR_ 18/12/87:33.

[^81]: Qintex Ltd consolidated net profit rose from $1.79m to $3m, and group gross assets topped $1b (on their own valuation). Skase said that Qintex revenues were rising rapidly and forecast an increase from the previous year's $100m to $500m for the current financial year. _Age_ 18/12/87:19. _Australian_ 18/12/87:12. _AFR_ 18/12/87:33. _SMH_ 14/11/87:84.

[^82]: TVO had been in the books at $34m, but was sold for $123m (this sale later fell through). Princeville cost $70m, it was written down at $85.5m but had since been valued at $250m. _Age_ 18/12/87:19. _Australian_ 18/12/87:12. _AFR_ 18/12/87:33, 63.

interest income and probably some capital gains on sales. Media analysts were
sceptical about the projected figures, particularly when compared with the 9 and 10
network earnings. Advertising industry sources argued that, few advertisers would
buy the same spot nationally despite the networks' ability to offer a better deal. 84

The 7 Network officially became the Australian Television Network (ATN) in
February 1988, with Bob Campbell as chief executive, media and entertainment. 85
QAL subsidiary IPH Queensland Pty Ltd bid for UTL minorities on the eve of the
stock market crash. The part A offer, however, was delayed because, Burden claimed,
QAL was caught up with settlement with Fairfax in December. At the end of
February 1988 the group announced that it would be delivered on 10 March. 86

In March 1988 UTL sold several non-core assets. Many of these were debt-
purchased, however, and the full price was not available. Concomitantly reported
profits from these sales do not always take into account the interest paid on the
original debt-financed purchase. Cross-media ownership rules forced the sale of
Brisbane’s top rating FM104, which shared a city-based newsroom with Channel 7. 87
Hoyts Media paid $89.1m, and Hoyts Entertainment paid $7.3m for Brisbane-based
Jumbuck Production group. Deferred payment reduced the real price to $65m (it cost
$58m): $41m due on 31 December 1988 plus three $16m annual installments from
1990 to 1992. 88 Other asset sales included; 15% of AWA to the Capita Financial
Group, for a profit exceeding $13m, before interest; Universal Radio Pty Ltd 89 to
Wesgo Ltd for $6.75m; and, the

84 AFR 26/4/88:1,33.
85 SMH 2/9/87:39.
86 The paper offer (4 Qintex or QAL? shares :7 UTL) valued Universal shares at $2.57 (190% current market
value of $1.35), a paper value of $211 on Universal. AFR 26/2/88:34.
89 4MK Mackay (with 4MK FM Translator, Whitsunday Passage), 4HI Emerald, and 4LG Longreach.
Maroochydore, Queensland shopping complex to a Brisbane second board company QVest for $19m. Qintex claimed that UTL was now cash rich with no liabilities. It did not mention, however, how much of the payments received was direct cash payment, or how much was deferred payment or as, in the case of the shopping complex, how much was in paper. Nor did it indicate how much of the ‘profit’ claimed on the sales had actually been lost in interest payments on the asset and deferred payments. It did not pay back any of the $75m loan facility raised from Tricontinental for the AWA purchase.

After these sales the group paid Fairfax the $60m shortfall from the previous November. Payment, however, involved creative accounting and required a round-robin series of in-group transactions similar to those discussed in chapter 2.

A special resolution of Universal Telecasters Ltd shareholders approved support by the owners of Wide Bay-Burnett Television (UTL) and IPH Bullion Pty Ltd (QAL) to enable Qintex Investments Pty Ltd to subscribe $60m for convertible notes in UTL so that it in turn Universal could pay Fairfax.

Qintex Ltd owned 100% Qintex Investments and 68% QAL, which owned 100% IPH Bullion and 54% UTL. Qintex Investments used its shares in Wide Bay TV and a property owned at 74 Castlereagh St, Sydney, as security for the banking arrangement for the cash subscription to UTL. Skase claimed the Melbourne station HSV7 had stopped making a loss, that it would break even by late 1988, and would return a resounding profit by 1988-89.

Skase exceeded the 60% audience reach limit and challenged the Federal Government on 31 March 1988 with ATN’s purchase of Robert Holmes à Court’s

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91 The $19m paid for the shopping complex was actually an allotment of $11.4m of convertible notes and only $7.6m cash. AFR 2/6/88:8.
92 AFR 31/3/88:19.
94 Australian 7/4/88:1,11,12.
SAS7 Adelaide and TVW7 Perth television stations. The price was $126.3m (a $12.6m deposit on 1 May, and the balance due in March 1989, plus annual payments geared to the earnings of the two stations totaling $30m over the next three years). The deferred payment discounted the effective cost to $114m (current dollars), and was about 13.5 times earnings. No other details of the transaction, including the means of financing it, were available. The deferred payment discounted the effective cost to $114m (current dollars), and was about 13.5 times earnings. No other details of the transaction, including the means of financing it, were available. ATN became Australia's biggest network. Skase claimed it had competitive flexibility with respect to domestic programming and overseas buying capacity, and in the advertising market.

Two weeks later there were further indications of cash flow problems when Qintex Ltd announced plans to issue FAI with 4.15m non-voting convertible, redeemable preference shares at $5 each (about 7.7% of Qintex) subject to shareholder approval, to raise $20.783m working capital. The placement effectively ensured a 25% return to FAI plus paying dividends at 120% of the nominal rate. Putland said that Qintex had not raised more debt, because the arrangement would ‘optimise the situation’, and that the issue was ‘just a way of raising equity capital as Chris (Skase) gave an undertaking to the institutions that he wouldn't raise capital through rights issues’ (my italics). This indicates Skase’s awareness of institutional shareholders, and their power. He needed them to maintain an image of stability; if dissatisfied they ‘walked’. Under the new accounting standards to be introduced in the next financial year funds raised in such a manner would be accounted as debt rather than equity.

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96 With five capital city stations and two regional ones MVQ Mackay and SEQ Maryborough.

97 Under the Companies Code, as the proposal carried a call option between FAI and Skase on the new shares, FAI would acquire a beneficial interest in Skase’s 54.6%. Skase insisted on the call option which was to work as a personal safety valve; Skase could buy 51% of any shares that FAI converts to ordinary shares. FAI could lift its Qintex holding to about 15.8%. If it redeemed the shares FAI was to receive a 25% return for each year it held the shares less dividends. The new shares were unlisted and had no voting rights to stop FAI seizing control of Qintex. FAI undertook not to dispose of the shares for at least two years (this was before Larry Adler died of a heart attack on 13/12/88). Qintex asked the NCSC to modify the 12(G) provision of the Companies Code relating to the disposal of major assets so the allotment to FAI can proceed; the NCSC has yet to rule on the matter. Company
The group’s uncertain financial position restrained the market: its high-risk tourist developments and the recent FAI preference issue indicated unstable finances with little margin for error. Qintex argued that rationalisation would increase cash flow and improve overall tax efficiency as all dividends from entertainment and resorts flowed into the group. It planned further asset sales and asset revaluation, but the group had not yet demonstrated results in terms of profit and loss.

At the same time reports, in April 1988, suggested improved images for Skase and the group. It attracted more institutional shareholders and had some hard core solid assets. Fund managers and institutional investors reserved their assessment until the release of QAL’s audited accounts. One manager appeared to give Skase a degree of credibility when he described him as 'more of an entrepreneur in the traditional sense than the entrepreneurs ...(recently) seen in the bull market' (my stress).

The media were ambivalent about the expansion, which would exacerbate the group’s existing financial problems. Some thought it ‘commercially unnecessary’ given the uncertainty of advertising revenues and a third commercial television station opening in Perth the following month. Counterbalancing this was a more positive approach which argued that ATN cost less than Bond’s NINE or Northern Star’s TEN. Australian Business stressed the relatively low entry price for the network, auspicious advertising forecasts, the $80m sale of peripheral assets, and the deferred payments on all television acquisitions with minimal interest. It did, however, argue that Qintex must reach forecasts for 1987-88 ($86m) and 1989 ($131m) to remain

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secretary Putland, said in a statement to the ASX that the move had been made without NCSC approval due to "time constraints". The preferences would receive a dividend 20% higher than ordinary stock. Qintex was to hold a general meeting on 9 May to consider: 1. increasing in share capital; 2. altering the company's articles of association; and 3. issuing shares to FAI. Age 19/4/88:33. Australian 19/4/88:14; 9/6/88:13. AFR 19/4/88:16; 6/6/88:31.

98 These were expected to include Hardy Bros' jewellery business and remaining equity holdings.

Qintex Ltd’s share price had fallen about 8.5% in early 1988, but it received a boost in May 1988 when FAI acquired 570,00 shares at $4.25-$4.30. Qintex funded its television purchases almost entirely on debt, which was believed to be about $755m. Estimates of Qintex's interest load ranged between $60m (claimed by internal sources who differed in calculations of total interest bearing debt) and $100m/year interest (at a nominal rate of 13%, estimated by external sources).

QAL Shareholders' funds were expected to reach $1.3b by 31 July 1988.

The $350m, which Qintex had raised since selling its AWA shares, covered the $12.6m deposit and Bell's March installment. The $470m payment for the Fairfax stations was composed of $123m for Channel 0 ($98m was not due until 1991), plus $100m from Fairfax, and $59m group liquids. The $90m shortfall was covered by the sale of FM 104 (also on time payment). Skase claimed that further asset sales would realise $80m by balance date. The network, which Skase argued would benefit from production and marketing efficiencies, had several years in which to generate the cash to pay Fairfax.

Skase claimed considerable discounts for interest-free time payments: 22% discount for the Fairfax stations ($780m to $606m) and 12% discount for the Bell stations ($126m to $109m). On those figures the network cost $69/viewer ($715m), compared with NINE’s $110/viewer and TEN’s $110/viewer. Skase then reduced the cost to $60/viewer ($626m) after deducting $89m - the claimed profit on the TVQ0 sale. Skase claimed a 15% TV revenue increase in calendar 1988 and said real profits would flow in 1988-89.

102 Including 10% TNQ.
103 plus $115m deferred equity (held by Fairax), $397m deferred liabilities (to Fairfax and Bell) and $200m deferred receipts from the sale of TVQ 0 and FM104. AFR 26/4/88:1,33.
104 For which Skase blamed Fairfax delays in documentation.
ATN now exceeded the 60%\(^{107}\) audience reach limit. In an attempt to appear independent and circumvent the limit imposed by the legislation and also to buy time, Kaycliff Pty Ltd, a $100 private shelf company owned by Skase and other Qintex executives, bought the Bell stations. Kaycliff borrowed $11m from the Qintex subsidiary, QMH Finance Pty Ltd to cover the deposit for TVW7 and SAS7. Skase, who claimed to have had legal advice that Kaycliff circumvented regulations, held 5% of Kaycliff\(^{108}\) and had continual control of their licences. Skase gambled that the Tribunal's heavy workload would delay the hearing until late in 1989; as is shown below he was wrong. He indicated that Qintex would sell its regional stations if the audience reach limit was not increased. Paul Ramsay of Ramcorp was reported to be interested.\(^{109}\)

Kaycliff lodged its application and statutory declaration seeking approval of the purchase of TVW7 and SAS7 from Holmes à Court, in May 1988. The Australian Broadcasting Tribunal began its hearings into the purchases in April 1989. The issue of control was further complicated when Kaycliff became a Qintex subsidiary on 31 March 1989, and sold the stations to other Qintex companies.\(^ {110}\)

Egocentric Skase brought the politically sensitive question of audience reach limits into the public arena with a loud bang. He brazenly declared publicly that he would get the law changed. He went to Canberra to discuss it with Government and Opposition members.\(^ {111}\) The other networks, which argued that the limit obstructed the establishment of fully national networks, had quietly lobbied for increased limits

\(^{107}\) ATN then had 65% reach, which would increase to 75% when regionals services were expanded in 1989.


\(^{111}\) Including Hawke, Keating (Treasurer), Senator Evans, Minister for Transport and Communications, Howard (then Opposition leader), and John Sharp (National Party front-bencher responsible for the limit being lowered to 60%) *AFR* 13/4/88:3.
since their introduction. They believed the government would change the limit quietly avoiding public perceptions of ‘caving in’ to big business.\textsuperscript{112}

Skase, with a politically inept, ‘textbook example’, of how \textbf{NOT} to lobby effectively ruined that.\textsuperscript{113} He involved himself directly in negotiations which publicly challenged the law and parliament, and made parliamentary authority an issue, at a time when there was general public concern at the apparent power which high profile business chiefs, particularly media ‘moguls’ wielded.\textsuperscript{114}

Skase’s brashness arose from his assumption that television entrepreneurs were entitled to ‘favours’ as of right, rather than just ‘favours’. He apparently believed ‘that it was a matter of "ask and you shall receive".’ He assumed that he was entitled to the favours granted by previous governments to those members of the old media dynasties, who discreetly ‘pocketed the money and keep their heads down’, such as the Liberal Fraser government’s relaxation of ‘the Act's residency requirements’, to suit Murdoch who then lived in USA.\textsuperscript{115}

Senator Evans, agreed to reconsider limits if the Opposition would\textsuperscript{116} and suggested a wide-ranging inquiry into the concentration of newspaper ownership. A House of Representatives Committee and Evans’ department conducted inquiries. The Federal Labor Caucus\textsuperscript{117} approved extension of the limit to 75% in principle, but rejected moves to relax cross-media ownership to allow newspaper proprietors to hold up to 15% of a television company. It demanded stronger Australian Broadcasting Tribunal public interest powers. The Tribunal examined the News Corp (15% of

\textsuperscript{112} Lowry of the 10 network who had hired a staff member of the Communications Minister, Stephen McKew, was hopeful of an increase when Skase bought the new stations. \textit{AFR} 13/4/88:3.
\textsuperscript{113} His behaviour contrasted with Murdoch who would invited "key players" to his farm at Yass and things were sorted out over the port.’ \textit{SMH} 25/4/88:26; 29/4/88:25.
\textsuperscript{115} \textit{SMH} 7/7/89:15.
\textsuperscript{116} Senator Baume, Opposition acting spokesman for Communications, said that he had discussed the acquisition with Howard (Opposition leader) and Sinclair (National Party leader), and that they would examine any legislation on its merit, but acceptance was not automatic. \textit{Age} 8/4/88:17,13. \textit{AFR} 8/4/88:1,2. \textit{Australian} 8/4/88:1,2.
Northern Star) and Fairfax (15% of Qintex) television holdings, and forced both to sell some.\textsuperscript{118}

Skase’s arrogance, his crass behavior, his public flouting of the law, and obvious adverse public reaction antagonised many politicians.\textsuperscript{119} The non-government parties reacted strongly. The Democrats immediately attempted to reduce the limit to the 43% originally proposed by the National Party, which was above the reach of both 7 and 9 Networks.\textsuperscript{120}

Skase labelled the opposition coalition indecisive, without a coherent media policy. He bombarded backbenchers with demands for support. He addressed female senators as ‘Senator (Mrs)’ but male senators as ‘Senator’. For some, the ‘final straw’ was another three-page facsimile message, dictated by Skase, signed by his secretary, and received by Coalition backbenchers on the Party Whip's machine as they filed into the party room.\textsuperscript{121} The increase was opposed by small metropolitan television proprietors who were represented by Peter Nixon, (television proprietor connected with Southern Cross, formerly VBN and former Fraser Government senior National Party Minister). Bond Media agreed to accept a limit below 75% if ‘traded-off’ against the rapid introduction of pay television.\textsuperscript{122} Howard denied Skase’s claims that he and opposition spokesman on Communications, Senator Messner, had agreed to endorse the Government's proposal.\textsuperscript{123} The shadow cabinet decided to block any proposed increase.\textsuperscript{124}

Skase persevered in his attempts to have the limit raised to allow him to have a station in every capital city, claiming confidence that he would keep the Bell stations.

\textsuperscript{117} One left Caucus member charged the Government with pandering to Skase. Evans denied the accusation or that the move was intended to ‘suck up’ to media moguls. \textit{Australian} 21/4/88:12.
\textsuperscript{118} \textit{Age} 20/4/88:5. \textit{AFR} 13/4/88:3.
\textsuperscript{120} \textit{Weekend Australian} 16-17/4/88:3.
\textsuperscript{121} \textit{SMH} 29/4/88:25.
He told a group of Adelaide business leaders that ‘common sense would prevail’. He conceded that Qintex would have to sell its Queensland regional stations and SAS7 Adelaide if the limit was not changed.\(^{125}\) He employed lobbyist Allen King to represent his interests in Canberra. King was a bureaucrat from the Department of Transport and Communications, who had been on the Prime Minister's personal staff, where he coordinated the flow of Cabinet papers.\(^{126}\)

The House of Representatives appointed a Standing Committee on Transport Communications and Infrastructure to examine the role of the Australian Broadcasting Tribunal and consider increasing its powers to allow immediate assessment of takeovers. Members of the inquiry questioned Skase's use of a holding company as a device to evade broadcasting ownership rules. Skase retaliated by accusing MPs of being ‘not intelligent’ about the industry's economics.\(^{127}\)

Skase told a reporter that ATN was strongly committed to local identity and involvement. This policy would be extended to Perth's TVW7 which had a long history of community involvement.\(^{128}\)

UTL was delisted on 20 May 1988; ATN became QAL’s wholly owned subsidiary when IPH Queensland Pty Ltd held 90% of its shares and planned compulsory acquisition of the rest. At the end of its first full year's operation its accounts were buried in QAL's. The Adelaide and Perth stations, however, were still officially owned by Kaycliff and separate from the Qintex group, which meant that their accounts should have been kept separate. Qintex controlled more than $2.4b assets, but had a market capitalisation of only $57m.\(^{129}\)

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\(^{124}\) This was a defeat for the Opposition leader John Howard. President of the Liberal Party John Elliott denied that the coalition’s confusion over its media policy was weakening to Howard’s leadership. *AFR* 28/4/88:8.


\(^{126}\) *SMH* 16/6/88:31.

\(^{127}\) *Age* 16/6/88:20. *AFR* 16/6/88:42.


\(^{129}\) *AFR* 21/9/88:32.
Skase said that future equity raisings would be through placements rather than rights issues, in line with his undertaking to institutional investors. Rationalisation removed the multiple company structure of several different listed companies, which had helped equity raisings. Skase found it more difficult to retain control; his capacity to pay for his entitlement restricted the group’s ability to raise equity. His Qintex Ltd holding fell below 51% from 54.9%. In November 1988 QAL shareholders approved Qintex Ltd's purchase at $2 each of 9.05m shares held by 10 shareholders, bringing its QAL holding back over 50%, after the paper takeovers of Qintex America and Mirage Resorts Trust took it below 50%.

In mid-April 1988, QEI signed an agreement with MGM United Artists giving it an initial 20% equity in all MGM productions over the next three years. Simultaneously ATN7 also signed an exclusive programming agreement to purchase all rights to MGM's TV programs and its film library. The $60m deal would be funded from cash reserves of QAL Ltd and QEI. Based on rumours that Kirk Kerkorian would sell MGM-United Artists its share price jumped $US4 per share (to $US19).

Skase was labelled ‘one of the best negotiators in the business’ when Qintex renegotiated the outstanding Fairfax debt for an immediate payment, which reduced the cost of the stations, by $172.2m. QAL was to pay Fairfax $129.8m of the $285m owing immediately, and $15m in December 1988. The effective payout was reduced by two payments from Fairfax to QAL: $4m in settlement adjustment and $28m, at the rate of $3.5m per quarter until March 1990. This increased its shareholders'
funds by $170m and gave it group assets of $2.4b by December 1988. Its total liabilities fell from 57% to 39%, and its interest bearing debt fell from 52% to 33% total assets. ATN in all capital cities cost about $566m.\textsuperscript{136} Skase said this was the final touch in building the most cost-effective network in Australia; ‘the early pay-out to Fairfax is game set and match against critics who said we couldn't do it’. He claimed that it resolved QAL's gearing problems.\textsuperscript{137}

Warwick Fairfax's Tryart initiated the renegotiations after it took over Fairfax in December 1987, and revealed the details of the Channel 7 deal.\textsuperscript{138} Fairfax needed Qintex's agreement to sell its $100m investment in UTL before 1991. Fairfax had agreed to underwrite losses of HSV-7 until July 1988, and to guarantee to spend $15m in advertising with the network.

Skase also negotiated for AMP to buy Fairfax's 15% stake in QAL, for $55m, compared with the $100m Fairfax agreed to pay. On conversion AMP, with 20%, would be QAL's second largest shareholder; Qintex Ltd held 55%.\textsuperscript{139}

QAL planned to fund the $129.8m payment with a placement of $85m unsecured notes and convertible notes through McIntosh, plus bank facilities and internal funds. The Brisbane office of the Stock Exchange inadvertently released the contents of a private letter seeking its approval of the placement.\textsuperscript{140} The notes with an interest rate 3.5% above the bank bill rate resembled junk bonds. The final component of the original deal with Fairfax, a proposed second equity placement of

\textsuperscript{136} \textit{AFR} 18/7/88:80.
\textsuperscript{137} \textit{Age} 9/7/88:27; \textit{Australian} 11/7/88:37,43; \textit{Weekend Australian} 9-10/7/88:1,44. \textit{AFR} 22/6/88:68; 23/6/88:18,79; 8/7/88:84; 11/7/88:27. \textit{SMH} 9/7/88:35.
\textsuperscript{138} The previous management, headed by General Manager Greg Gardiner and then chairman James Fairfax, was responsible for the original restrictive arrangement with Qintex, not the new management. Qintex original agreement with Fairfax was $780m over time:
\begin{itemize}
  \item a. $495m interest free by November/December? 1987 ,
  \item b. $285m interest free by December 1990,
  \item c. Fairfax subsidised the package by agreeing to buy $100m worth of Qintex group shares and notes.
\end{itemize}
\textsuperscript{139} \textit{Australian Business} 21/12/88/11/1/89:71. \textit{AFR} 22/6/88:68.
\textsuperscript{140} A placement exceeding 10% of shareholders’ funds must be approved by both shareholders in general meeting and by the Stock Exchange.
$55m to Fairfax, was to be placed with ‘third parties’, with funds payable directly to Fairfax by 31 December 1988.\(^{141}\)

Superannuation Fund Investment Trust (SFIT) took up a QAL share placement at the beginning of June 1988, with the option to sell it to Qintex Ltd if, and when, it wished to sell.\(^{142}\) Burden claimed that the fund raisings would not affect the group’s gearing because it would be retiring an equal amount of debt.\(^{143}\)

Market perceptions of the Qintex group were reported to have improved with the removal of the deferred Fairfax debt, which appeared to reduce its gearing ratio, and increased institutional exposure to its stock.\(^{144}\) More stockbrokers included Qintex in their research rosters. Previously Melbourne-based McIntosh had been ‘essentially the only source of regular detailed research on the group’. Bains analyst, Cass O’Connor argued that assessment of the major television networks should consider the percentage of total assets derived from ‘intangibles’ like television licenses and program rights. Inflated values for intangibles helped mark down media stocks. Qintex, with 40% of its total media assets of $244m as intangibles 'looked better' than Bond or Northern Star.\(^{145}\) About 35% of Qintex's total assets were in media and entertainment. McIntosh calculated that comparative earnings for 1988 were: Bond Media $96m, Northern Star $50m, and Qintex $106m.\(^{146}\)

QAL signed a contract with National Broadcasting Company (NBC)\(^{147}\) of the US in October 1988, which gave it full and exclusive access to all NBC-generated programming and attendant promotional material.\(^{148}\) The contract included a five-year option for NBC to acquire 15% of QAL for $102m, which impinged on group ‘rationalisation’. Qintex would sustain its current QAL holding level, but give NBC

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144 Institutions reported to be interested included County, SFIT, BHP's superfund, Australian Eagle, and Schroders. AFR 18/7/88:80
145 Bond had 77.5% intangibles, and Northern Star had 79% which would reduce to 50-55% following the sale of some newspapers and regional television.
146 Australian Business 20/7/88:93.
147 A subsidiary of General Electric C. (GEC).
148 This included news, sports, entertainment, series mini-series and telemovies. It expanded the existing agreements which were not due to expire until 1990, under which NBC already provided programming to the Qintex Group of companies.
one board seat when its holding reached 9%.\textsuperscript{149} Ms Martha Pell Stanville, NBC's vice-president of affiliate advertising and promotion services, announced the agreement prematurely in August, and praised the quality of ATN's station and program promotions.\textsuperscript{150} At that time Campbell, who did not want to confuse Australian and American program suppliers whose products were outside these agreements, said several issues were unresolved.\textsuperscript{151}

In September 1988 Campbell said Qintex proposed to sell regional television stations MVQ-6 (Mackay) and SEQ-8 (Maryborough) to reduce ATN's audience reach from 75% to 64.9%. A fortnight later Ramcorp, which had had a close working relationship with ATN, signed a preliminary contract to purchase them. Qintex did not have any shares in Ramcorp.\textsuperscript{152} The contract included substantial debt deferral terms to allow the Ramsay group, which was 'strapped for cash' following the stockmarket crash and a rapid expansion program, time to finance its Queensland purchases, estimated to be worth $90-100m. This gave Prime Television Network, jointly owned by Ramcorp and Ramsay's private interests, a potential audience reach of 30% across regional Victoria, NSW, and Queensland.\textsuperscript{153} A month later Ramcorp secured its purchase of Country Television Services Dubbo and Orange television stations, with a $5m deposit and $15m deferred payment.\textsuperscript{154}

The Australian Broadcasting Tribunal announced, in September, that it would hold concurrent inquiries (but not grouped together) into Skase's Fairfax and Bell purchases. This would facilitate a \textit{de facto} ruling on the circumvention of media ownership regulations, using complicated company structures, such as Kaycliff.\textsuperscript{155}


\textsuperscript{150} She took a reel of it home as well as reels of \textit{Hey Dad}, \textit{Home and Away}, and \textit{Rafferty's Rules} to show to key executives and producers. Many of ATN's promotions were produced by ATN's advertising agency George Patterson.

\textsuperscript{151} In February 1989 ATN was forced to drop its US-imported \textit{NBC Today} show, which relayed the Olympic games, for the duration of the Games, because TEN had the Australian games rights, and other Australian television stations were limited to 3 minutes of Highlights three times a day. \textit{Australian Business} 25/8/88:42; 30/8/88:57. \textit{AFR} 20/9/88:4.

\textsuperscript{152} \textit{AFR} 8/9/88:26.

\textsuperscript{153} \textit{AFR} 20/9/88:25.

\textsuperscript{154} \textit{AFR} 25/10/88:66.

\textsuperscript{155} \textit{AFR} 15/9/88:24.
The Tribunal issued a formal directive in March 1988 that all commercial television licenses comply with its request in October 1987 to provide details on the cost of Australian programming and staff levels. It required details of financial position including statements of retained earnings, profit and loss and debt levels, to accompany their annual return. ATN challenged the Tribunal's rules on Australian content of television programs in the Federal Court: it argued that the Tribunal had exceeded its powers in demanding the costs of its Australian television production, staff profiles according to role and sex, and a statutory declaration verifying all the information supplied. Nine and Ten networks complied after being warned that they would be in contempt of broadcasting regulations if they did not\footnote{SMH 22/9/88:12.}

Skase made a private arrangement, which prevented Alan Bond gaining control of Holmes à Court’s London theatres\footnote{Including the London Palladium, the theatre Royal in Drury Lane and the London film theatrical and television costumier company Bermans and Nathans.} when Bond took over Bell Corp. Charmead, a private Brisbane registered company owned by Skase and ‘a number of other investors’ apparently outside the Qintex group, exercised an option signed in July 1988. It paid about $53.6m for the theatres which had a book value of $52.7m. The terms of the option led to a ‘bitter tussle between Holmes à Court and Bond’. Some weeks later Skase sold the theatres to Holmes à Court’s Heytesbury Holdings.\footnote{SMH 28/9/88:3; 20/2/89:31.}

QAL’s results released in October 1988 showed a record profit of $28.1m for 1987-88 (up 837\%),\footnote{Television contributed 60\% of the 1987-88 profit, resorts 20\%, and group treasury activities 20\%. AFR 2/10/88:21.} with an annual dividend of 15c per share (up 20\%). This was based on revenue of $577.5m (up 224\%), but it did not pay any tax, which raises doubts about the veracity of the profit.\footnote{AFR 2/10/88:21.} These results followed large increases for

\begin{itemize}
\item \footnote{SMH 22/9/88:12.}
\item \footnote{Including the London Palladium, the theatre Royal in Drury Lane and the London film theatrical and television costumier company Bermans and Nathans.}
\item \footnote{Television contributed 60\% of the 1987-88 profit, resorts 20\%, and group treasury activities 20\%. AFR 2/10/88:21.}
\end{itemize}
the first half, announced in May,\textsuperscript{161} and predictions of increased profits made in September. Skase predicted higher results for the following year, and announced plans to condense the group into one company by the end of 1988-89.\textsuperscript{162}

Despite the fact that many of its assets had been sold on deferred payment, QAL claimed to have halved its effective debt by balance date (from $1.5b to $754m), with asset sales and the discounted Fairfax payment. It reported gross debt of $1.146b ($520m in 1987), excluding creditors’ provisions or lease payments, and shareholders' funds at $726m ($435m in 1987). Skase said that, after deduction of $156.02m worth of convertible notes held by AMP, gross debt was about $1b. AMP was in the process of converting the majority of the convertible notes, which would bring its QAL holding up to 20%.\textsuperscript{163}

Skase was concerned in 1988 to reassure the market about QAL’s debt position. Its interest bill escalated from $4.26m to $29.74m in May. This excluded a notional interest component for the delayed payments for the television stations. Skase claimed that they were 'now on the path to a strong performance', that deductions for notional interest obscured the true trading performance, and that the company would have no difficulty servicing its debts.\textsuperscript{164} He said that the company had ratios of interest-bearing debt to total assets of 30% and total liabilities to assets of 45%.\textsuperscript{165}

Even though he had not actually controlled a television station until Qintex acquired Channel 0 in 1985 Skase claimed to have ‘been in television since 1976 ... so you'd think we would know what we are doing’. He claimed the nominal $400m

\textsuperscript{161} QAL’s profit was $14.95m up from $1m result the previous year, and Qintex's was $10.76m from $2.9m.
\textsuperscript{163} AFR 2/11/88:16.
\textsuperscript{164} Some analysts were reported to believe that a notional interest component of $12m - $19m should be deducted from the full-year earnings.
raised from asset sales in 1987-88 had been applied to debt reduction. QAL had bank-
guaranteed receivables of more than $200m from the sale of assets which were
payable during the next three years; against that was ‘a core debt of little over $300m
on the television side’. He predicted that the Australian and US television and
entertainment interests would generate $10m/week in revenue and would reach
$500m by January. He predicted that advertising rates would rise 20%-30% in 1988-
89, with a ‘very strong level of demand for advertising’. He said that ATN had a
positive cash flow and was beginning to benefit from single ownership economies of
scale. He estimated that ATN got 35% of advertising revenue in Sydney, Melbourne
and Brisbane (less than NINE, but more than TEN).166

Skase involved himself directly in all facets of ATN’s operations, although not
directly connected with its routine management. He aimed for ratings, revenue and
profit ‘supremacy’, and addressed this on three fronts: news and current affairs, which
were highly profitable but had high manpower requirements; television production;
and sport.167

To maximise ratings it was necessary to project a local image that would
attract and keep viewers. ATN used common program schedule but tried to retain
each station's ‘local flavour’.168 Fairfax had lost Melbourne audiences when it
networked HSV7 from Sydney, and refused to broadcast VFL. Skase ‘put Melbourne
back into 7’, improved staff morale and increased its ratings, and HSV7 recovered
profitability in a year.169

ATN revitalised its news and current affairs programs and signed Derryn
Hinch as a host on a three-year contract.170 His appointment to replace Terry

166 Australian 22/9/88:15.
167 Australian 7/9/88:19.
168 BRW 25/3/88:8-84.
170 Weekend Australian 7-8/11/87:2. SMH 7/11/87:7

218
Willessee in Sydney, with discretion over content, revived the issue of networking one State's current affairs from another. Each network produced a business program directed at the business segment of the early morning television audience to attract ‘upmarket’ advertisers in financial and office equipment. ATN launched its business program *TVAM*, which was earlier, longer and more expensive than the other programs in June 1988. It featured prominent financial journalists Trevor Sykes, Alan Kohler, and Mark Westfield. Initially it ran from 6.00am to 7.30 am weekdays and replaced children's early morning cartoons, which had the highest ratings (8-14) in Australia for that timeslot. It attracted a wide audience initially, but soon dropped behind in the ratings and was shortened twice within a year. In July 1989 Skase, attempting to cut its cost in half, reduced it to 30 minutes (mostly overseas news).

Skase also involved himself directly in purchasing sports programs. ATN paid $32m for 5-year contracts for tennis and VFL football, including $6m to broadcast VFL nationally in 1988. It introduced an innovative approach to the NSW Open Tennis tournament in a joint venture with the NSW Tennis Association. It contributed to the staging costs and modified the event for television, without offending the traditional organisers or their grandstand audiences. They introduced more night matches, and live coverage during peak viewing times. ATN adopted similar advertising packages to those used at the Port Douglas golf tournaments. Courtside

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171 The TWT staff found out about the appointment by reading the newspaper, radio and television advertisements. *Australian* 5/4/88:12.
173 A few days before TVAM was launched, Bond Media took legal action to restrain the use of the name TVAM, claiming that its use would imply association with the top rating British program *TV-am*. Bond neglected to mention that the name of the British show had been changed recently. The application was dismissed at the end of 7/88. *Age* 28/4/88:27. *AFR* 29/4/88:52; 1/6/88:38; 3/6/88: Weekend Review 1,3. *SMH* 28/4/88:1; 29/4/88:27; 2/6/88:32; 3/6/88:28; 30/6/88:39.
175 *AFR* 17/5/88:56.
176 *SMH* 20/7/89:27.
177 The broadcasting rights were owned by the media communications company Broadcom Australia.
advertising comprised one major sponsor and 2 or 3 small ones and advertisers packages included corporate boxes, court signage, airtime and even drinks rights. ATN personalities moved among the crowd and participated in the celebrity program games. A Variety Club ball was timed to coincide with the tournament. Revenue increased and the tournament was expected to earn as much as all the tennis the year before. ATN had no formal joint arrangements with other State tennis championships, but increased its involvement with their organisers.  

Local television production was expensive ($150,000/hour compared with $25,000/hour for US programs), but Skase planned to produce more drama programs than his competitors. Singer John Farnham signed an exclusive two-year contract with the Qintex group to work with ATN network and Mirage Resorts on various projects. ATN's program Home and Away had attracted twice as many viewers as Neighbours when it was screened in Britain in 1989, and it claimed that more European sales were pending for the program. It bought the TV rights to make a mini-series about the 1987 privatisation of Fairfax, based on the book Operation Dynasty by Trevor Sykes (Skase's former boss and friend).

Skase involved himself in the network's marketing and sales division; he claimed credit when the network gained more than a third of the $700m pledged by buyers of television advertising for 1988. He centralised ATN's sales department into a single national computerised system, with an office in each capital city which gave advertising agencies and media buyers access to demographic information on particular programs to help plan TV campaigns from anywhere in the network. This

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179 AFR 22/11/88:68.
180 AFR planned to produce 130 of the 225 hours of drama it screened. BRW 25/3/88:8-84.
183 AFR 3/5/89.
184 AFR 9/2/88:38.
reduced time by 50%, reduced paperwork, and eliminated duplicated staff costs. Qintex formed an alliance with Ramcorp and planned to incorporate Ramcorp's sales into the centralised system. The addition of Ramcorp's 21% viewing audience made ATN Australia's largest network.

ATN was operating in a tight competitive market. The big three commercial television networks had high debt levels. In order to attract more viewers they began a ‘spending spree’ in 1987. All paid more than was economically feasible for overseas programs. They attempted to increase rates and capitalise on a high demand for advertising time, which had developed in 1988. Increases of 5-6% in 1988 had been well below inflation. At that time Bond had 42% of the advertising revenue, ATN 7 had 31%, and TEN 10 had 27%. All had reported good results in their first year of operation, but they needed to maximise revenue and reduce costs. In August 1988 ATN retrenched staff, some of whom it retained on contract. They were vulnerable to new competition such as pay TV, or new free-to-air services.

This chapter analyses the way the group consolidated its Australian media and tourism operations and made its first moves to establish itself in the US up to the end of 1988, and highlights those elements which illustrate the theoretical concerns raised in the first three chapters. From this point it is relevant to return to the group in toto to analyse Qintex’s last year of operation as a public company, which was dominated by an abortive attempt to take over the US film giant MGM/United Artists. At the end of

186 Which Skase had announced at a lavish weekend presentation to more than 250 journalists and network executives at the Sheraton Mirage Gold Coast Resort SMH 8/2/88:27.
187 Times on Sunday 30/8/87:15-16.
188 The investment bank Capel Court suggested that television advertising rates should increase in the next round of negotiations. AFR 22/7/88:96,95.
190 Under their previous owners the three Sydney stations had an aggregate after-tax loss of $29m during 1986-87 compared with a reported profit of $13m for 1985-86. AFR 9/8/88:53.
1989 QAL was in receivership, and the rest of the group was no longer functioning as a public company. This final year is analysed in the next chapter.
Chapter Seven

The Mirage’s Last Year

Qintex’s last year of operation as a public listed company, 1989, began with Skase claiming to have created a ‘very profitable’ operation with a very strong growth potential. It had established resort and media operations in Australia and the US, and planned further US expansion in those industries.\(^1\) Skase made a vain attempt to buy MGM/United Artist in USA. He transferred his main residence to USA. The group structure is shown in figure 7.1.

The mirage disintegrated as the year ended with QAL and twenty eight of its subsidiaries in the hands of receivers, QEI in Chapter 11 bankruptcy, and the remainder in disarray.

The ‘Red Queen’ element became more obvious in the group’s last year of operation. Skase’s deals were bigger than ever as he attempted to stay ahead of his

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\(^1\) Euromoney/1/89. Supplement Brisbane:26-27.
bankers, until he could not run fast enough, the debt caught up and he tripped himself up with an unsuccessful attempt to takeover MGM/United Artists.

The attempted MGM/UA takeover took the Qintex mirage onto the postmodern global stage. It demonstrates the postmodern benefits of dwindling spatial barriers and increased geographic mobility. It also brought him up against the global financial arena as he, a relative newcomer to that field, attempted to raise international finance for the purchase.

This year’s events and transactions emphasise the postmodern aspects of capitalism’s fundamental contradictions and oppositions outlined in Chapter 1, and the ‘casino economy’, which exploited fictitious capital. Finance was a constant problem: at one point the group could not pay its television licence fees when due. Skase deviantly exploited inbuilt corporate invisibility and accommodating bankers to juggle his finances. The group’s ““quaint” and sometimes incomprehensible accounting methods reveal his use of ‘creative’, ‘flexible’ accounting techniques.

Early in the year Qintex sold nearly half its resorts to Japanese interests and further disenfranchised remaining Mirage Resorts unitholders, who could not trace the sale’s proceeds. The sale impacted on the group’s relations with the Queensland State government, and highlights the way in which State intervention had helped the group.

Image was an ongoing problem for Skase. The proposed MGM/UA purchase, which expanded the group’s ‘ephemeral services’, increased Skase’s local hero image for a short time and then attracted negative publicity both in Australia and the US. Skase was even more of an ‘outsider’ in Hollywood than he had been in Melbourne. The media avidly followed all facets of the purchase. The negative

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3 *Australian* 12/7/89:19.
4 Harvey: 285.
labels which were applied in both countries, after the MGM deal collapsed are considered in detail in this chapter.

Postmodern financial hegemony has made some banking institutions powerful, in the national as well as the international sense. This chapter reveals how the Commonwealth Bank used that power to control the circumstances which led to the group’s bankruptcy.

Skase’s ability to borrow money depended on both companies maintaining their share prices. The market, however, was wary of the group. Qintex Ltd’s share price had risen steadily from $1.40 in 1985 to $5.20 before the stock market crash in 1987. Its share price oscillated around $4.00 after the crash, but in January 1989 it dropped to a low of $3.50 when FAI purchased 600,000 shares at $3.40/share from Eqitlink through McIntosh, but soon returned to $4.00. FAI also paid $20.8m for 4.5m convertible preference shares, which carried 25% interest plus dividends.

Qintex Ltd’s major asset was its holding in QAL, which held the group’s assets. Its share price had risen from $1.20 in 1984 to a high of $4.70 just before the crash, when it fell and never recovered. In twelve months to February 1989 it fell from $3.60 to $1.60, and was well below the all ordinaries and media indices for the period. This share price reflected the increased concern about its gearing level which had trebled since 1985/86 (see table 7.1). James Capel’s analysis of the group released in January 1989 shows an effective gearing of 118%, which made it vulnerable to rising interest rates.

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5 Which took its Qintex Ltd holding to 16.5%.
6 These could convert to 4.1m shares and Skase had the option to redeem 51% of the preferences.
7 SMH 19/1/89:29.
9 An interest rate rise of 1% would generate an additional $A9m in interest payments.
Table 7.1 Qintex Australia financial position\textsuperscript{10}

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<th>1985/86</th>
<th>1986/87</th>
<th>1987/88</th>
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<td>1,083.0</td>
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<td>Net Interest ($Am)</td>
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<td>87.7</td>
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<td>Debt/equity ratio (%)</td>
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<td>Interest cover (%)</td>
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</tbody>
</table>

The $A1083m debt comprised $858m interest bearing debt, $181.1m ‘discounted bills of exchange, secured against notes receivable and guaranteed by unconditional letters of credit’, and $87m ‘convertible notes held by AMP’. The report valued the two Australian resorts at $A389 and Princeville at $A128m.\textsuperscript{11}

In February 1989 QAL shareholders approved the issue of a $51m private placement of convertible redeemable preference shares and convertible unsecured notes. The Queensland government, through the Queensland Treasury Corporation, ‘took up’ part of that placement.\textsuperscript{12}

Skase was defensive as he struggled to maintain control of the group. He juggled finances to stay ahead of debts. He exploited inherent corporate invisibility, and creative accounting to move money between members of the group, and repeatedly stressed the value of the group’s assets to distract attention from its debt burden. When Tricontinental noted that its loans to the group, secured against shares, were under-secured Johns approved Skase's proposition that they be secured against ‘the asset value behind the shares’ which had been determined by Skase.\textsuperscript{13} ATN was the group’s principal source of income. Qintex sold its regional television stations to Ramcorp in February on deferred payment, and its Sea World holding to Peter

\textsuperscript{11} Gallacher and Duncan: 14, 16.  
\textsuperscript{12} This was arranged through Brisbane-based merchant bank Graham and Co. Australian 14/2/89:19. AFR 24/1/89:14; 25/1/89:16; 13/2/89:26; 14/2/89:16. SMH 24/1/89:28.  
Laurance’s Pivot Group, at the end of March for $73m which included Mariner’s Cove (next door to Marina Mirage), for a claimed $22m profit.\textsuperscript{14}

In January 1989 ATN won the television rights to the 1992 Barcelona Olympic Games: Skase himself put the winning $40m bid. He claimed that the high price (TEN paid $10.8m for the 1988 games) reflected both a prudent evaluation of the Games’ potential ratings, and the growth of sports related advertising. He said it was based on the same profit making criteria that had been applied to all of ATN’s recent sport event purchases.\textsuperscript{15} Media analysts mostly approved of the price offered, but there were some reservations due to television losses on previous games.\textsuperscript{16} Campbell relieved doubts about ATN sports commentators’ ability to handle the coverage when he said that ATN and its affiliate NBC would share resources and set up a joint operation.\textsuperscript{17}

Skase refinanced the Qintex group's debt in March 1989. He sold 49% of the three Mirage resorts to the Japanese companies Mitsui and Co Ltd and Nippon Shinpan Ltd (24.5% each) for $433m.\textsuperscript{18} This figure was contradicted after the group’s collapse when it was revealed that two side deals and loans reduced it to $400m.\textsuperscript{19} The sale, which reputedly reduced the Qintex group’s gearing to 25% of its total assets, followed a year’s negotiations. QAL retained 51% of the resorts and board majority. The Japanese companies also had rights to inject at least $67m into 49% of future US resorts. The Japanese investors insisted that the vessel Mirage 111 be included in the transaction. The vessel had been returned to Lloyds Ships Pty Ltd, because of defects and the contract to buy it rescinded. Qintex ‘took steps’ to transfer

\textsuperscript{14} SMH 31/3/89:26.
\textsuperscript{15} Age 20/1/89:5. AFR 20/1/89:3. SMH 20/1/89:1,38,21.
\textsuperscript{16} Age 2/2/89:28,26.
\textsuperscript{17} AFR 28/2/89:39.
\textsuperscript{18} The Japanese invested $433m ‘into entities, companies trusts, either then existing or not existing, but which entities would own Mirage assets in connection with the Gold Coast Resort, the Port Douglas Resort, the resort in principle in Hawaii and various other sundry assets.’ Skase in evidence In the Matter of Lloyds Ship Holdings Pty Ltd Public Examination before Judge Miller in the Brisbane District Court No.539 of 1989, Transcript:204.
\textsuperscript{19} Australian 2/11/89:12,13.
ownership back to a Qintex company. These ‘steps’ contributed to confusion over the vessel’s ownership for Lloyds Ships receivers the following year.\textsuperscript{20}

Concurrent with the sale Qintex replaced its existing debt with two major facilities lead managed by the merchant bank Wardley Australia Ltd, which totalled $850m (see appendix 3). These were:

- A three-year senior debt $650m multi-option refinancing facility, initially drawn to $420m, and
- Subordinated debt in the form of a 10-year equity linked note, issued in United States dollars to the equivalent of $200m\textsuperscript{21}

The sale plus the refinanced debt improved the group’s image in the market and Australian Ratings immediately lifted QAL’s rating.\textsuperscript{22}

The Foreign Investment Review Board approved the Japanese acquisition of 49\% of the resorts. Before granting approval, however, it sought Queensland Government approval, which was granted by the Queensland Cabinet after a special meeting.\textsuperscript{23} The ruling National Party was divided about it, reflecting general public concern about the extent of Japanese investment and foreign ownership of resources.\textsuperscript{24}

State involvement with the Qintex group generated a potential conflict of interest. It provided the land at Port Douglas, gave legislative support, and the Queensland Treasury Corporation had subscribed to QAL’s $51m preference and notes issue.\textsuperscript{25} ‘[T]he former Under Treasurer, Sir Leo Helscher, named as chairman

\textsuperscript{20} Skase in evidence \textit{In the Matter of Lloyds Ship Holdings Pty Ltd} Public Examination before Judge Miller in the Brisbane District Court No.539 of 1989, Transcript:22203-204.
\textsuperscript{21} \textit{Australian} 9/3/89:17.
\textsuperscript{22} \textit{Australian} 9/3/89:17.
\textsuperscript{24} Other Japanese investment in Queensland resorts included:
- EIE acquired Sanctuary Cove from Ariadne for $341m in 1988
- EIE had shareholder approval to buy the floating hotel on the Great Barrier Reef for about $12.4m.
- The Iwasaki Resort at Yepoon
- Daikyo purchase of residential property North of Cairns.
- EIE bought residential land at Hope Island for $8m.
\textit{SMH} 10/2/89:25. See also \textit{Age} 1/4/89:34.
of the advisory board to Queensland Treasury Corporation was also a director of QAL. \(^{26}\)

The Minister for Northern Development, Martin Tenni, to whom Tabbart had denied the sales a month earlier, clearly expressed local opinion. He said that Skase:

… had been very well looked after by Queenslanders and the Queensland government … It was not acceptable for a particular person who wants to be a TV media baron to run offshore for money because of sudden liquidity problems. The Resorts were considered to be part of Queensland's quality developments and existed because of the legislative and financial good will of the National party administration. \(^{27}\)

Skase, concerned to retain a ‘good’ public image, defended the sale as consistent with Qintex's philosophy of strengthening long-term links around the Pacific Rim. He said it was ‘a permanent capital inflow which would remain in the State’. Australian interest rates and taxation were high, and Australian investors, including institutional ones, considered tourism ventures, with their low initial profitability, too risky. Willing foreign investors, as distinct from lenders, could assist in the development of profitable Australian enterprises, which could then be exported overseas. The Japanese involvement would allow Qintex to expand its US operations without excessive debt. The managing director of Mitsui and Co (Australia) said the deal represented an opportunity for both countries; it opened doors for both Japan and Australia to do business in other parts of the Pacific Rim. \(^{28}\)

After it refinanced its debt Qintex repaid several loans. This included payments to Tricontinental ($221m), State Bank of NSW ($201m for two facilities), ANZ ($87.9m), Chase AMP ($70.04m), Dai Ichi Kango ($69.61m), Wardleys ($64.6m), Hong Kong Bank ($26.3m), Amatil Ltd ($70m), and Potts West Trumble ($22.7m). \(^{29}\)

\(^{26}\) AFR 17/3/89:10.  
\(^{27}\) AFR 8/3/89:5.  
\(^{29}\) CM 6/6/90:32.
A small number of recalcitrant MRT unit-holders still refused to sell their units. In January Qintex, which held 95% of units and intended to apply to delist the Trust, offered to buy them out. After delisting the trustee would determine a fair unit price. Qintex offered $4 per unit, which was 50c over market price, but below the value placed on them by the sale which capitalised the resorts at $900m.30

In early April 1989 the Qintex mirage entered a new, and much expanded, dimension in international business when it acquired financier Kirk Kerkorian’s 82% of MGM/UA.31 In true postmodern fashion Skase, overnight, became a household name in Australia. His Australian company had bought a US icon. Skase had expanded his mirage’s spatial dimensions. His ‘Red Queen effect’ deal was bigger and better than any previous deal. The need to finance this purchase stretched his creative ability to raise fictitious capital. Simultaneously time and space compressed for him as he tried to move into the global financial system’s ‘mess of liquidity’.32

It is consistent with the ‘condition of postmodernity’ that this major expansion was in the ‘ephemeral’ area of ‘the dream factory’ within the ‘culture industry’. Words used to describe the Hollywood film industry, ‘dream’, ‘drug’, ‘distraction’, ‘escape’, and ‘ideology’,33 all resound with postmodern ‘ephemeral’ themes.

MGM had been one of the Hollywood film industry’s ‘large scale monopolies’ with a ‘vertically integrated’ system of production, distribution and consumption (or exhibition). These monopolies had access to external finance.34 The ‘halcyon days of the big studio system ended well before the 1980s. Kerkorian, who was an ‘outsider’ from Las Vegas, overcame entertainment industry opposition to gain control of MGM in 1969. At that time MGM was on the verge of bankruptcy. Kerkorian initiated a series of cutbacks and asset sales, which included movie theatres and its London

31 UA had reportedly received offers from Robert Maxwell, Phillips NV, and Sony in the last year. The Bulletin 18/4/89:149.
32 Harvey 182.
studio, and its wardrobe and ‘props’. For the next twenty years financier Kerkorian, with postmodern ‘flexibility’, adopted a policy of selling and re-buying parts of MGM. He acquired United Artists in 1981 and joined the two companies to become MGM/UA. The sale of $US400m ‘junk bonds’ was one of the first of those sales by Michael Milken of Drexel Burnham Lambert.

When Qintex apparently acquired MGM/UA its financial performance had deteriorated. Its 1989 half year report, released a week after the sale was announced, showed increased losses (to $US54.2m compared to $US2.6m for the 1988 first half) despite increased operating revenue, including its success with the film *Rainman* in 1988 (from $US300m to $US416m). The losses arose primarily from increased interest payments, and amortisation and film library write-offs. It paid a revolving credit facility of over $US200m in 1988, relieving the interest problem.

MGM/UA shares closed on the New York Stock Exchange at $US16.75 on the eve of the sale's announcement.

MGM/UA had been on the market for eighteen months. Most of its senior (film experience) executives had resigned. It was being managed by a group of financiers without any film experience led by former Merrill Lynch merchant banker Jeffrey C. Barbakow who were attempting to improve its financial affairs and organise its sale. One potential purchaser, who had been discussing the sale with

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37 It lost $US49m on revenue of $US674m in fiscal 1988 and lost $US88m on revenue of $US427m 1987.


Kerkorian when Qintex’s apparent purchase was announced was Rupert Murdoch’s Fox Inc but Fox which was believed to be concerned about US anti-trust laws.42

*The Wall Street Journal* published a list, which had been included with proxy materials mailed to MGM/UA shareholders, of potential purchasers for MGM/UA. The list included

The contract was to be completed by 30 September 1989. MGM/UA assets, some of which Kerkorian was to buy back, included the United Artists studio and its 4,000 film library that contained the James Bond, Rocky and Pink Panther movies. Under the terms of the contract:

- Qintex would buy all outstanding shares in MGM/UA for $US20 per share (over $US1b)
- Kerkorian’s holding company Tracinda Corporation would repurchase from Qintex the rights to the MGM name and its lion trademark, plus MGM/UA’s television production operations (this included the MGM films made since 1986, including *Rainman*, and *A Fish Called Wanda* and the company’s headquarters building in Beverley Hill) for $US250m
- MGM would invest about $US75m in the new United Artists.43

Media reports were ambivalent. Qintex’s US expansion was apparently strengthened. ATN had long term access to cheap film programming, after its existing contract with MGM/UA. Skase was also perceived as ‘getting in on the ground floor’ before Europe deregulated in 1992.44 The financial media discounted the effective cost to about $US600m (from $US1b), after payments and cash injections. MGM/UA had $US400m cash plus $US250M from Kerkorian, and his $US75m investment. In addition United Artists held $US75m cash.

42 Other potential buyers included: Weintraub Entertainment Group: Davis Cos; Polygram NV (owned by Phillips NV); Walt Disney Co; MCA Inc and Gulf & Western Industries Inc, now Paramount Communications Inc, acting jointly; Barris Industries Inc: Sony Corp; Cannon Group, now Pathe Communications Inc: Elizabeth Dickenson Industries; Warner Communications Inc; C.Itlh & Co; Gibbons, Green, Van Amerongen Ltd partnership; and two directors of the company Alan Ladd Jnr, former MGM chairman, and David Gerber, chief executive officer of the MGM/UA television production group. AFR 1/9/89:32. Bart:281.
Revelation of United Artists’ junk bond debt of $US400m, which carried only a moderate Moody's Investor Services rating, altered these calculations. The junk bonds, due to expire December 1993, were in two parts, ($US150m, and $US250m). Standard and Poors threatened to downgrade Qintex because of the junk bond debt and QEI’s own senior debt. MGM’s preference shares, redeemable in 1991, issued in December 1988 to clear a bank debt (Kerkorian held $US180m), were another potential problem.

After the Qintex board approved the purchase on 18 April 1989, it began financial arrangements amid media claims of approaches from several financiers. Qintex proposed to create a new US company, Qintex America Inc., to house QEI and its new MGM/UA assets. Skase planned to raise 50% debt and 50% equity. He claimed he could arrange funding through contacts in USA, Europe or Japan. He hoped to raise the $300m in equity. Evans argued that United Artists' film library would itself contribute $US150m on a turnover of $US500m. It would offer United Artists' shareholders shares in the new company, valued at $US5 each, plus cash, as an alternative to the $US20/share cash.

QAL needed to inject capital to maintain its 43% of QEI. Skase ridiculed financial analysts’ concerns QAL’s debt level would increase, because the link was 'indirect'. Capps claimed that only $40m extra equity would maintain QAL’s QEI holding. McIntosh analyst Jeff Stansen, however, calculated that QAL would have to

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52 He was not sure whether Australian shareholders would have access to equity in the new company. AFR 4/4/89:16.
participate in the equity raising and assume an additional $US50m debt, or exercise options at a high premium, which was 'not Skase's style', to maintain a 43% holding; a 50% holding to allow equity accounting would create more debt.\footnote{Australian 4/4/89:14. Euromoney August 1989:27,29.}

Some analysts reserved their assessment pending access to the UA group’s revenue and cash flow breakdowns. UA made a net loss of $34.5m in the November 1988 quarter. Stanson said that a gross cash flow of $US150m would compare favourably with the cost of about $US90m for servicing $US600m debt at the usual US rate of 15%.\footnote{Australian 4/4/89:14.} US analysts argued that Skase would need to produce quality films to justify the price.\footnote{Australian 5/4/89:25.} John Olds, from Californian based analysts Paul Kaglan Associates, reflected a postmodern concern with image when he said that Skase would need 'to milk the goodwill from the United Artists name', Kerkorian's retention of the MGM label had demonstrated the value in the names. Kerkorian also planned to relist MGM.\footnote{Australian 5/4/89:25.}

Several MGM/UA shareholders took legal measures to stop the sale of its assets. The Chappaqua family trust sought an injunction blocking the transaction and filed a derivative suit in the Los Angeles State Court, it also claimed unspecified damages. It alleged breach of fiduciary duty in selling company assets to QEI, which had been conceived by Kerkorian and associates independently of other shareholders and

\begin{quote}
(had been) designed specifically to enable defendants Kerkorian and Tracinda to unfairly withdraw substantial value from the company and to solidify and retain control over the balance of the company's valuable assets.\footnote{Age 6/4/89:27. AFR 5/4/89:17; 6/4/89:32. SMH 6/4/89:29.}
\end{quote}

Skase said the suit was irrelevant to Qintex, which had made its deal with Kerkorian, who owned 82%, and the board had accepted and recommended the offer. Another shareholder Ms Ellen Rudd filed a class action on behalf of MGM/UA shareholders

\footnote{Mark Manson, of New York stockbroker DLJ said that Skase will succeed if he makes good films, if not he paid a fancy price for a good film library and a distribution network. Australian 5/4/89:25.}
against the present owners claiming that the board could have extracted a better price.  

Moody's Investor Services threatened to downgrade MGM/UA’s credit rating if the sale proceeded. It doubted Robert Halmai's ability to service its debts; it already carried $US50m in long-term debt, and a low rating. Moody's was concerned at the size of the proposed new debt burden for QEI, which had a relatively low gearing. QEI answered that Moody's had made a wrong assumption because the acquisition, whose financing had not yet been finalised, would be made by a new entity and would not affect QAL’s debt position.

David Evans was appointed president and chief executive officer of United Artists Corp. He reported directly to Skase. Jonathon Lloyd predicted that Evans would make United Artists ‘pre-eminent ... within five years’. Shortly after Evans's appointment Norman Horowitz resigned as president and chief executive of MGM/UA Telecommunications.

The mirage of QAL’s half year report to 31 January 1989 was released in April 1989, two weeks after the MGM/UA takeover was announced. This was its first report as a purely business venture, primarily ATN and MRT, without inclusion of ‘investment contributions’. Both Qintex America and MRT accounts were buried in QAL’s. It claimed to have increased consolidated operating profit by 76% to $28.68m ($16.24m in 1987), and it lifted its interim dividend by 1.5c to 9c. It alleged a 68% lift in turnover to $302.78m ($180.21m). Qintex Ltd’s half year report indicated interest payments rose to $65.53m (from $36.66m), and its pre-tax profit rose by 136% to $25.48m (from $10.76m). These claims were never verified by a full year’s audited report.

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Skase said that the second half had opened on a most satisfactory note. He said that total revenues for the group at $421.3m ($189.2m) was up 122%, and claimed that $US69m ($US9m) came from QEI.\textsuperscript{63} Profit to shareholders, after minorities of $4.01m was $24.66m ($14.95m). No tax was paid, the company claimed to have increased its earning per share by 4c to 14c. These ‘paper profits’ predated the sale of 49% of the three resorts.\textsuperscript{64}

MRT was delisted on 5 May 1989, with 52 independent unitholders holding 0.2% (195,749 units) of the units, which QAL could not acquire compulsorily as it was a trust. The Qintex group did not have full legitimate access to the cash from the sale, but refused to answer unitholders’ questions about its disposal. Unitholders queried what proportion of the money was due to MRT, which owned two of the three resorts, and how it was divided between MRT and QAL. They also asked how much cash was left in MRT, and whether that was used to retire debt.\textsuperscript{65} They were paid a distribution of 42.4c per unit after the sale and Skase then offered them $4.60-$5.00 per unit.\textsuperscript{66}

QAL’s only legitimate option was for the manager to terminate the trust, convert all Mirage's assets to cash and divide the proceeds, after costs. This did not happen: unitholders were completely disenfranchised when ANZ Executors and Trustee Co Ltd (which was supposed to represent the interests of all shareholders) executed a supplementary trust deed for the Trust on 5 May 1989 after a meeting with Skase. This allowed QAL, which held 98.02% of the Trust, to access the trust's surplus funds (Mirage sale proceeds) through a loan. At the same time new a Clause 22.9 was inserted in a supplementary deed, which allowed the manager to terminate the trust, despite the original trust deed, and ‘unitholders other than Qintex were

\textsuperscript{63} It was disclosed about ten months later that QEI was receiving monthly financial support from QAL. This is discussed in more detail later in relation to QAL’s bankruptcy.
\textsuperscript{65} SMH 8/5/89:34.
deemed to have lodged an application for repurchase of their units’, allowing compulsory acquisition.\(^6^7\)

The Australian Broadcasting Tribunal began its hearings into Qintex’s television purchases in April 1989.\(^6^8\) It had the power to prevent the transfer of licenses and to order the sale of stations if it found that an owner was not a fit and proper person. Before the hearings began Skase conceded that he had control of Kaycliff’s\(^6^9\) operations, but claimed that his lawyers, Freehill Hollingdale and Page, advised him, in June 1988, to reserve the right to argue that he had no interest in TVW7 and SAS7. He denied using Kaycliff to evade the Broadcasting Act, and said he would sell stations if necessary.\(^7^0\) Kaycliff became a Qintex subsidiary on 31 March, and sold the stations to other Qintex companies, which added complications.

In her opening address Miss Diedre O’Connor, Tribunal chairman, said that several of the Qintex group companies clearly breached the 60% limit. Skase held 5% Kaycliff, and a Qintex subsidiary provided the deposit for TVW7 and SAS7. He controlled both licenses. She criticised the ownership inquiry provisions of the Broadcasting Act, which allowed ‘any person who is determined ... to prevent the tribunal from implementing government policy indefinitely’. Skase would have a six months period of grace, without even an application, after the hearing ended.\(^7^1\)

Stephen Robb, Barrister assisting the Tribunal, submitted that Skase was ‘not a fit and proper person’ to retain television licenses, and that Kaycliff was unfit to hold a license. Its application for approval of its purchase of TVW7 and SAS7,

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\(^{67}\) SMH 8/6/89:31.

\(^{68}\) Qintex purchased the seven network in/7/87, and Kaycliff lodged an application and statutory declaration seeking approval of the purchase of TVW7 and SAS7 from Holmes à Court, in/5/88. The Tribunal also considered FAI’s position. Miss O’Connor, Tribunal chairperson, told Adler that FAI might be exposed to any adverse findings the Tribunal made over Qintex’s acquisition of TVW7 and SAS7, and that FAI might have to ‘fix’ its $38m Qintex investment to comply with the Broadcasting Act. Sun-Herald 9/4/89:46. SMH 15/4/89:43.

\(^{69}\) The partly executive owned company which the group used to buy the TVW7 and SAS7 in an attempt to circumvent regulation.


lodged in May 1988, was 'false and misleading' in its attempts to obscure Skase's control, and it contained a ‘material falsehood’ in that it effectively failed to inform the Tribunal of a direct breach of audience reach limits. The application did not admit Skase's proscribed interest, and it also falsely failed to disclose that Qintex was in a position to control Kaycliff. Skase's personal application in May 1988 claimed the ‘full details’ of relationship with Kaycliff were that he owned 5% of the shares.  
Neither Kaycliff nor Skase admitted that Skase controlled Kaycliff. Kaycliff denied that there would be any financial or operational changes to the stations. In reality, Qintex and other Skase companies always financially and operationally controlled Kaycliff. Under this structure, Kaycliff had no influence on the other licences held by ATN, but its directors and shareholders were senior Qintex executives including Skase and Campbell.

He argued that the major shareholders and sole directors of Kaycliff knew from the beginning that the stations would be immediately integrated into the Qintex media division. Kaycliff’s complete financial dependence on Qintex was confirmed by:

- the inability of the Qintex treasury to provide sufficient funds to Kaycliff led them to commit offences against the Broadcasting Act in failing to pay (their licence fees) by the due date.

TVW7 incurred a large penalty when it paid its 1989 annual broadcasting fee (about $3m) three months late.

Two Qintex directors admitted that Skase instructed that they be given shares and directorships in Kaycliff, and Skase admitted that they had explicitly agreed

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72 Skase held 5 of Kaycliff’s 100 shares, and the rest were scattered among senior Qintex executives. SMH 30/6/89:1,4.
73 SMH 30/6/89:1,4.
74 SMH 30/6/89:1,4.
verbally to comply with his directions on the stations. Consequently Skase or Qintex in fact owned all the shares in Kaycliff, contrary to Skase's statutory declaration in May 1988. The falsehoods in Kaycliff were so fundamental that Kaycliff should be declared unfit. They caused delays and the expense of a public hearing when, if the truth of the matter had been more fully and fairly disclosed, the tribunal could have acted immediately to require a sale in six months. Skase told the Tribunal that he had acted on legal advice and was ‘puzzled’ when advised to reserve the right in his application to argue that he had no proscribed interest in the stations. He said he followed the advice, although the idea that he did not control Kaycliff was ‘patently absurd’.  

Skase's request that potentially sensitive financial information be heard in camera became farcical when, after several closures of proceedings, Ms O'Connor asked him to write answers to save time; he wrote (1) ‘I do not have this information on me’ and (2) ‘ditto’. Seven network executives who returned late from lunch were locked out of one private session. Campbell could not remember which of the companies employed him, but after a lunch-break he said that it was Qintex subsidiary IPH Holdings Pty Ltd.

Skase appeared to have given conflicting evidence to the Tribunal and a Parliamentary Committee on his reasons for buying TVW7 and SAS7 through Kaycliff. He did not admit control of Kaycliff in a sworn statement to the Tribunal in May 1988, but in June 1988 he told the House of Representatives Standing Committee on Transport, Communications and Infrastructure that ‘I think that it is far preferable [to hiding control] that you do as we have in Kaycliff and come up front

75 Fees owing after 1 March were subject to a penalty of 20% compounding daily for each day they remained unpaid.  
76 SMH 30/6/89:1,4.  
78 Thirteen chief executives from each station attended the hearing. SMH 11/4/89:29.  
79 He did not disclose his control of all Kaycliff votes to the Tribunal until 4/89.
and say “this is us, we own this”’. He denied that he used Kaycliff as a device to keep him within the current audience-reach limit. The shadow Attorney General, Neil Brown, found it ‘very hard to swallow’ that the Kaycliff structure was purely commercial as he could not see the commercial difference in owning a Qintex media company to buy the stations. Skase said that Kaycliff was used for commercial convenience and commercial flexibility to more easily allow a sale if necessary. Brown said he thought

… that it is probably a device in which case it is not a very persuasive device because the shares are clearly owned by you and your colleagues ... You say that that is done simply for commercial reasons and for reasons of convenience. \(^{81}\)

Campbell said that there was no commercial advantage in the Kaycliff structure. Skase's lawyers tendered his statement to the Committee at the Tribunal inquiry, and a transcript of its committee evidence was put on the Tribunal file, but was later removed. \(^{82}\)

The Tribunal asked why TVW7 was late paying its broadcasting fees, and indicated that it could be raised at hearings as it reflected on Qintex’s ‘financial or management capabilities necessary to provide an adequate and comprehensive service pursuant to the license’. The managing director of TVW Enterprises, Byrne, said it was ‘a few days late’. \(^{83}\)

Skase explained, in a letter to the Tribunal dated 4 April, that Qintex's bankers had refused to forward the funds for license fees until the $433m Mirage sale had been signed, after the Foreign Investment Review Board approved the transaction on

\(^{80}\) SMH 5/7/89:6.  
\(^{81}\) SMH 5/7/89:6.  
\(^{82}\) It is a public document readily available in Canberra. Counsel assisting the Tribunal indicated that use of the Committee evidence or Skase's statement could breach Parliamentary Privileges Act, which prevents Committee evidence being tendered or used in a court or tribunal to question the credibility of any person or question the truth of that evidence. SMH 5/7/89:6.  
\(^{83}\) Age 11/5/89:19.
30 March. This affected all ATN stations. Neither Qintex and ATN executives, nor
Wardley Australia, the merchant bank that organised the refinancing, would comment
on the matter to the press.\textsuperscript{84}

Towards the end of July 1989 the \textit{Sydney Morning Herald} began a campaign
against Skase. It published a leaked document from the Tribunal. The Tribunal
issued a suppression order on the leaked submission, a week later. The \textit{Sydney
Morning Herald}'s lawyers Mallesons said that it appeared that there had not been a
suppression order at the time of publication. The Communications Law Centre had
supplied the document in the belief that it was on the inquiry's public file following
correspondence from the Tribunal saying that it would go on file on 15 May 1989.\textsuperscript{85}

Skase delayed the hearing in July requesting that Ms O'Connor disqualify
herself, because of remarks made by her husband Michael Joseph.\textsuperscript{86} A partner in
Skase's solicitor, Freehill Hollingdale and Page, Cornelius Griffin, alleged that
Joseph said:

\begin{quote}
I think for Christopher Skase to have said that he, at the time
he purchased the Adelaide station, did not believe that he had
a proscribed interest, on legal advice, is very strange. OK, so
Skase gets a deferment of 12 months [to sell his excess
stations], and is no doubt happy about that, but I wonder
about the lawyer giving the advice. Anyway, we will just see
how smart your Mr Kelly has been. Skase has been lucky that
the press have been so fascinated with Mr Bond's problems.\textsuperscript{87}
\end{quote}

The Tribunal rejected Skase's application and he appealed. Justice Morling
heard the appeal on 3 July 1989 and rejected it. Skase appealed to the Full Bench,
which reserved its decision in October 1989. At that point the Tribunal postponed its

\begin{flushright}
\textsuperscript{84} \textit{Age} 12/5/89:17.
\textsuperscript{85} \textit{SMH} 8/7/89:13.
\textsuperscript{86} At the Bar table at Cooma Local Court, where they were both appearing.
\textsuperscript{87} The ABT had told Bond to show cause why NINE’s licenses should not be revoked. \textit{Australian} 9/6/89:6. \\
\textit{SMH} 10/5/89:3; 1/6/89:2; 20/6/89:6; 30/6/89:1,4.
\end{flushright}
inquiry into Kaycliff pending the outcome of the Full Federal Court decision on the alleged bias.88

Burden announced in August 1989 that Qintex would sell SAS7, Adelaide, which had the smallest advertising market, to reduce audience reach below the 60% limit. He did not reveal the price but said that it would be above book cost. Analysts considered that consolidation within ATN hampered a current valuation of the station.89

While arranging finance for its MGM/UA purchase Qintex was also involved with its other US investments. It began to redevelop the Princeville resort in April 1989, which it claimed that finance with a $US400m ($A537m), 10-year facility through the ‘new’ merchant bank Whitlam Turnbull and Co., would ‘be in place’ by September. The State Bank of NSW provided bridging finance of $US75m.90

Proposed changes included:

- a residential subdivision around a new 18-hole golf course on 500ha of unoccupied land, to be released in three stages,
- enlargement of the retail section from 70,000 square feet to over 200,000 square feet,91
- the purchase of a 7.2ha elevated site adjacent to the hotel on which Qintex intended to build a new super-luxury wing of 100-150 very large rooms and suites which would have some of the best views of Bali Hai in Princeville,92
- upgrading the three year old Sheraton Hotel.93

The hotel was closed for renovations, but other facilities including commercial properties, the Princeville shopping center, the Princeville airport, the golf courses and clubhouses, the company’s real estate projects and Princeville Utilities Co, which

90 Australian 15/6/89:16.
91 For which the group already had permission. AFR 29/3/88:34.
92 US developer Bruce Stark had bought the site from the Princeville Development Corp several years earlier to build condominiums. Australian 5/6/12/87:44.
93 Australian 5/6/12/87:44; 19-20/3/88:42.
managed the resort’s portable water and sewage treatment operations, continued to operate.  

Skase did not expect the problems that arose with local authorities when he proposed to redevelop Princeville. He was apparently unaware that, although Queensland and Hawaii operated in comparable wide-reaching tourist markets, the regulation and development of tourist facilities in these two states is very different. The postmodern laissez-faire limited regulation of Queensland tourism development has encouraged an ad hoc approach, which fosters clientelism. Lack of control at State and local Council level has allowed developers, such as Skase, to ignore or sidestep environmental issues and local community values. Gold Coast community groups are hampered in their efforts to constrain developers by the Queensland National Party government’s ‘explicit commitment to rapid development’,  

Qintex’s plans needed the approval of Kauai’s county planning department, whose director Tom Shigemoto opposed its plans several times. He forced the company to redesign a proposed fountain and porte-cochere for the Princeville hotel, which he considered ‘too massive and garish’ and he opposed the expansion of the shopping centre and a $US17m tennis complex as violating zoning provisions. He

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also questioned the proposed site of affordable housing for employees on the grounds that it was flood prone. The Qintex group submitted ‘an unusually large number of (planning) applications’\textsuperscript{97} for projects at Princeville between March and October 1989.

Qintex ignored ‘community standards’ and local residents considered it ‘insensitive and arrogant and … exclud(ing) community input on planning.’\textsuperscript{98} The Hanalei-Princeville Improvement Advisory Committee reviewed more than 15 Qintex applications. A committee member, Susan Wilson, considered many of them ‘outrageous’ and ‘completely out of character’ with the area’s ‘rural look’, and they showed a ‘blatant disregard for the North Shore Development Plan’. The group attempted to have a moratorium placed on all permits issued to Princeville Corp., citing its parent’s tenuous financial condition’.\textsuperscript{99}

Qintex, advised by Salomon Bros, began the acquisition of an Orange County, California, tourist development from a group of US investors for $175m ($US131m).\textsuperscript{100} The property, 40 miles south of Los Angeles, included an 89ha golf course and a hotel at Monarch Beach. The \textit{Sydney Morning Herald} suggested it cost up to $346m ($US260m). Qintex planned to build a five-star resort targeting tourists who wanted to play golf and tennis, relax in a spa and shop. Under the agreements Qintex Ltd would own the land but Mirage (49% Japanese owned) would build the resort.\textsuperscript{101}

\textsuperscript{97} \textit{Hawaii Business} 7/91: 37.
\textsuperscript{98} \textit{Hawaii Business} 7/91: 37.
\textsuperscript{99} Jokiel, L. (1990) ‘Both sides now’ \textit{Hawaii Business} 36 1, Section1 start page 71.
\textsuperscript{100} Hawaiian developer Chris Hemmeter had been planning for two years to build a $US500m "fantasy resort" on the property.
\textsuperscript{101} \textit{Australian} 27/7/89:19. \textit{SMH} 31/7/89:32.
The profitability of the resorts depended on a successful tourism industry and occupancy rates over 50%. In 1988 Brisbane Expo 88 contributed to tourist growth with short term overseas arrivals in Australia exceeding departures overseas by Australians in mid 1988. In 1989 short term overseas arrivals fell 7% between February and March. There were insufficient incoming flights, and its stronger dollar made Australia an increasingly expensive tourist destination. Simultaneously a tighter economy restricted domestic tourism.\textsuperscript{102}

Concomitantly, following a ‘boom in top-of-the-range hotel development’, Queensland had too many four- and five-star rooms. Many five-star hoteliers targeted overseas visitors who in fact comprised only one-fifth of Queensland's tourists. They ignored the dominant domestic market. Many Australians who could afford to stay at five-star Australian resorts, lacked the inclination to do so.\textsuperscript{103}

The Mirage resorts were designed to attract wealthy travellers who would normally holiday overseas. Their relatively high prices (Gold Coast $280-$475 per night, Port Douglas $280-$450 per night, condominiums $600-$900 per night) discouraged mass tourism and assured exclusivity. General manager Mark Kissner said that most of his Australian guests were in the $80,000+ income bracket. In June 1989 an AGB McNair tourism survey of 300 people\textsuperscript{104} indicated that the prime factors influencing people to stay at a Mirage resort were personal recommendation, newspaper articles and the knowledge that Skase was the owner. Guests felt that staying at a Mirage resort gave them a status, which they liked. They are conscious of status in the Weberian tradition as an element in the distribution of power. They assume that their presence at a Mirage resort is taken as a symbol that they belong to a high status group, which increases their own self-esteem.

The interviewees said that overseas travel provided cultural enrichment, unusual food, and educational experiences, which were not available in Australia, but

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\textsuperscript{102} Australian Business 1/6/88:45. Time 10/7/89:44-50.
\textsuperscript{103} SMH 16/9/89:Good Weekend 19-20, 22,25-26, 28.
\textsuperscript{104} Australian 23/6/89:12.
\end{flushleft}
the Mirages were a good alternative and provided total relaxation. Most people going
to a Mirage resort expected to be left alone to relax among luxurious surroundings
and to be waited on hand and foot by experienced staff. They felt that luxury was
necessary for relaxation and rated five-star service equally, if not more than, the range
of facilities. Restaurants were the most used facility, followed by swimming pools,
the Marina Mirage shopping center, the beach bars and bicycles. Kissner said that the
resorts offer a range of activities, which were an important part of their appeal, but
very few people took part. Notwithstanding Mirage Port Douglas’s 2 kilometres of
ocean frontage most people go ‘straight on to the sun lounges next to the pools ... that
applies to resorts worldwide’.

Mirage Port Douglas had a potential client return rate of 77% compared with
50% at the Mirage Gold Coast. At the Gold Coast 70% of the guests were Australian,
13% Japanese and 5% American. Its general manager said that although the market
had dropped in May 1989 the hotel was maintaining 50% occupancy and the market
would pick up as soon as cold weather hit the south.

The decline in tourist numbers was exacerbated, particularly in Queensland
where distances were so great, by a domestic pilots’ strike which began in July 1989,
when the Australian Federation of Air Pilots filed a non-negotiable wage claim and
affected internal airline services until the end of the year. The Federal Government
refused to meet the pilots’ claims and they staged a series of stop work meetings,
rolling stoppages, work bans, and called a strike at the end of August 1989. On 23
August 1989 the Federal Government authorised international carriers to carry
internal domestic passengers and organised RAAF services to fly domestic
passengers. The Australian Tourism Research Institute estimated that the Australian
tourist industry lost $560m in direct losses to the end of October 1989, and that the
dispute cost industry between $400m and $600m in the last three months of 1989.

106 Australian 23/6/89:12.
107 Queensland Tourist and Travel Corporation, Research and Regional Development Division April, 1990. ‘An
Examination of the Effect of the Domestic Aviation Dispute on Queensland Tourism’.
The strike had repercussions for the Mirage resorts, at a time when the group needed their income contributions. Skase’s plans had assumed that the resorts would ‘kick in’ during that year and make a contribution. Port Douglas as a tourist destination depends on a regular air service. Initially the group claimed in early August that Mirage Port Douglas had a 71% occupancy rate. These claims were refuted a month later, however when John Tabart conceded that the pilots’ dispute had halved occupancy rates to about 40% at both resorts which needed 55% occupancy to break even. He argued, nevertheless, that the resorts were ‘performing on track’. Despite this assertion it is apparent that the resorts were not providing enough cash flow to the group.\textsuperscript{108}

The group closed its Hover Mirage division, which operated the daily service between Brisbane airport and the Gold Coast, on 18 September 1989. Skase attributed dwindling passenger numbers to the airline dispute, but it was probably due to the Qintex group’s financial situation. It negotiated with overseas buyers to sell its two Cairns built hovercraft for $7m, but did not complete the sale.\textsuperscript{109}

The media speculated that Qintex was ‘a front for the Japanese’, because of the Japanese Mirage resort holding, and Qintex's announced intention to raise some of the funding for the MGM/UA purchase in Japan.\textsuperscript{110} Richard Capps denied this, but conceded that future expansion would involve Japanese financial associations, particularly with Mitsui.\textsuperscript{111} Capps listed Qintex’s existing banking relations:

- the Hong Kong and Shanghai bank,
- the Commonwealth Bank,
- Chase AMP,
- Barclays Bank and Salomon Brothers in the US;

\textsuperscript{109} Australian Business 4/10/89:12.
\textsuperscript{110} At that time Japanese interests were making a large number of Australian investments (see footnote 24 above).
\textsuperscript{111} Euromoney August 1989:27,29.
McIntosh was its equities trader.\textsuperscript{112}

In August Skase claimed that investors were interested, and that financing for MGM/UA would be completed before settlement date (30 September 1989).\textsuperscript{113} He suggested a potential ratio of 62% equity to 38% debt, with possibly 10 shareholders from US, Asia, and Europe. Qintex would issue them a mixture of common and preferred stock at $\text{US}\,$5 per share ($\text{A}\,$659.2m), and the sale of 20m common shares within the group ($\text{A}\,$131.84m) would allow QAL to maintain its current shareholding level. There were no reported decisions about ‘any Australian institutional offering’. He said bank finance would be announced soon.\textsuperscript{114}

MGM/UA called its special meeting to approve the agreement with QAL for September 23.\textsuperscript{115} Capps said that funding was arranged: it would comprise $\text{US}\,$700m of common stock and preferred stock and about $\text{US}\,$185m from unnamed banks - two American, one French, one Japanese and one British. He claimed that the banks had increased the credit facility to about double the funds needed to complete the purchase, the surplus would be used to expand MGM/UA. Share capital raisings were subject to shareholder approval at meetings on September 26 and 30.\textsuperscript{116}

The market and Australian Ratings queried Qintex's ability to pay for MGM/UA, and its potential debt. QAL's share price fell from $1.50 in April 1989 to 93c on 1 September 1989: this discounted a Capel Court Powell estimation of $2.70 asset backing made in August 1989 by 66%. The discount not only reflected concern about QAL's gearing but also challenged its 1988 reported net profit of $28m.\textsuperscript{117}

On 10 September 1989 Qintex Media BV announced it had arranged a $\text{US}\,$400m credit facility with a maturity of eight years, through a group of international banks lead-managed by Bank of America, Citibank and Barclays Bank PLC, and managed by Crédit Lyonnais. It was anticipated that other participants

would include major banks in Japan, Europe and US. This was to contribute part of

Four days later MGM/UA informed the London Stock Exchange that it had
received a counter offer.\footnote{Under the terms of its contract with Qintex MGM/UA could terminate the agreement, with the payment of $US18.2m, if it received a better offer.} Rupert Murdoch's News Corp offered $US23.14 for all
shares held by Kerkorian and Tracinda and $US18 for preferences, to be paid before
the end of 1989. Remaining shareholders were to be offered the same prices plus
interest in January 1990. This all cash offer was worth $US300m more than Qintex's
offer of $US20 per share payable by 30 September 1989. MGM/UA said its board
and its financial advisers would meet that day to determine which offer would best
benefit shareholders.\footnote{Age 14/9/89:23.}

MGM/UA shares immediately rose by $US1.50 to $US21.25 on the New
York Stock Exchange.\footnote{They dropped 62.5c the next day. \textit{New York Times} 14/9/89:D1,D13. \textit{New York Times} 15/9/89:D6.} Moody's Investors Services warned that News Corp could
become more highly leveraged if it succeeded with the MGM/UA bid, and said it

Murdoch proposed to circumvent American anti-trust legislation by selling off
parts of the studio but retaining the 4,300 film library to strengthen News Corp's
worldwide film and television interests including Fox Film, the Fox Broadcasting
television network and Sky Television, the British Satellite channel.\footnote{\textit{AFR} 15/9/89:1-2.} Capell Court
Powell analyst, Victor Shvets, warned that anti-trust laws could still affect the deal,
partly because the film library would give Fox more than 50% of the international
market and box office market.\footnote{Bart:283.}

When Murdoch thought he had bought the company Qintex topped his offer
with a $US1.45b ($A2b) bid (about $US850m above the original price) for the whole
company.\footnote{Bart:283.} MGM/UA’s assets were:
• a television production studio; a film production unit capable of producing about 12 feature films a year;  
• a library of 1,000 United Artists films, including the James Bond and Rocky films; 34 recent MGM films, including *Moonstruck* and *A Fish Called Wanda*;  
• world wide home video and foreign pay TV rights to about 3,000 older MGM films (Ted Turner had acquired American television rights to this 3,300 vintage movie library in 1985 for $US1.4m, which was $US300m over the market's valuation) and,  
• the MGM trademark and logotype.

On 14 September 1989 the MGM/UA board rejected Murdoch's offer and signed an apparently binding agreement with Qintex at a cost of $US25/share for its 50.6m common stock shares, $US18 per share for 10m preferences, and assumption of its $US400m junk bond debt. Analysts, who considered the original $US20 offer high, argued $US25 per share excessive.

Skase, Evans and other executives, were in Paris completing financial arrangements for the first offer when the counter-offer was announced. They re-worked their options at their hotel until dawn. Skase flew back to US for 'aggressive talks with Kerkorian', allegedly arguing that Kerkorian and Murdoch were attempting a 'behind-the-scenes deal' contrary to the spirit of the existing contract. He insisted on clauses in the new agreement which precluded MGM/UA from considering other offers, unless Qintex could not meet the December 31 deadline.

Evans said Qintex had evaluated MGM/UA in six months co-management. The broad appeal of the MGM name and logo, was an added attraction. Owning UA had become embedded in the Qintex culture. Skase then lived in Hollywood, and Evans was deeply involved in creating and scheduling decisions for new UA movies. Qintex had begun to put its imprint on the studio. One example was the decision, probably at Skase’s instigation, not to 'pick up the option' on the horror film *Child’s Play II* despite its certain marketing potential. Skase had ethical objections to excessive violence and horror.

129 AFR 18/9/89:23.  
130 SMH 18/9/89:29,32.  
131 SMH 18/9/89:29,32.
The new deal enhanced Kerkorian's reputation as a 'a wily wheeler-dealer'. Kerkorian, apparently unaware of the 'high level of interest' shown in the equity, and reportedly believing that Skase could not raise the money before the 30 September, had attracted Murdoch's bid when he contacted several of the original bidders for MGM/UA. Murdoch then made his $US1.35b bid for all of MGM/UA directly to Kerkorian. Some of Murdoch's group allegedly suggested that Kerkorian used Murdoch to 'jack up' Skase's earlier bid, which caused some antagonism.

Financial circles speculated about Qintex’s ability to organise the $US1.45b for MGM/UA by 31 December 1989. Lloyd said the company had already negotiated a $US400m bank line of credit and over $US500m in equity financing from private investors for the first agreement, and would be able to raise the extra money. Qintex then announced that the effective cost would be $US1.342b: MGM/UA had $US170m cash, which incorporated revenues of $US125m (it originally claimed $40m), plus $US20m in the new television production arm, and $US26m from the sale of MGM/UA's new headquarters to MGM Grand Inc.

This deal required twice the equity of the previous one after internal cash reserves, which QEI's executive vice president Kevin Wallace claimed investors were prepared to fund. The company wished to minimise its debt in order to preserve $US200m in working capital and other bank lending for film production. Wallace argued that the extra assets justified the extra $US5 per share, allocating: $US2 per share for the television company, about $US2 per share for the extra cash, and valuing the lion logo at $US1 per share.

Qintex's immediate commitment was an irrevocable $US50m letter of credit to be supplied by Barclays Bank USA, due by 22 September 1989, which ostensibly sealed an irrevocable option over Kerkorian's 82% of MGM/UA. Doubts, however, were soon raised about the letter of credit, which was initially reported to have been

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132 Some sections of the press believed that Kerkorian, who had been shuffling MGM/UA assets around profitably for 10 years, had been 'smart' and had solicited a higher bid from Qintex.
133 Barry Diller, chairman of News Corp owned Fox Broadcasting had made the previous offer. Australian 18/9/89:13. AFR 18/9/89:1,22, 23. SMH 18/9/89:29,32.
134 SMH 18/9/89:29,32.
135 A luxury airline company controlled by Kerkorian.
secured against the Princeville resort, which had recently been revalued to $US350m (against its purchase price of $US150m). It was a factor in the eventual collapse of the deal.

Prior to its fundraising Qintex had its US property assets revalued to be used as collateral to raise both new bank debt and new equity.\textsuperscript{137} In addition to the revaluation of the Princeville resort, Qintex also revalued its Dana Point resort in California to $US325m (against its purchase price of $US245m).\textsuperscript{138} Peter Charlton, speaking for the Qintex group, said the increased price would be financed by Skase's existing European and Japanese equity partners and bank backers, some of whom had given oral agreement to extend their proportional involvement.\textsuperscript{139} It was alleged that the Japanese equity investors included Mitsui, Mitsubishi, Nippon Shinpan and Bandai.\textsuperscript{140}

Qintex was reputedly trying to raise about $US500m from its bankers, Barclays, Bank America and Citibank, which it claimed had organised a $US400m facility for the first offer.\textsuperscript{141} It was assumed that ten 'mystery European and Japanese investors' would provide a further $US1b for a 50-60% share in Qintex America Inc.\textsuperscript{142} According to Qintex these investors had agreed to put $US500m into the first offer and were eager to back the new deal.\textsuperscript{143} Ian Mason, of McIntosh, said that Skase could raise all the funds in Japan.\textsuperscript{144}

The Qintex group carried extensive debts. It was attempting to complete negotiations to fund the proposed $US400m Princeville redevelopment. The new MGM deal increased the cost of QAL's potential investment in 42% of QEI from $US50m, to a minimum of $US125m. QAL's need to raise further equity was complicated by its falling share price.\textsuperscript{145} It closed at $A0.75 on 20 September (a 21% dividend yield and a 2.4 price/earnings ratio). Industry analysts calculated that the

\textsuperscript{137} AFR 18/9/89:22.
\textsuperscript{138} Age 19/9/89:33. SMH 19/9/89:29.
\textsuperscript{139} Australian 18/9/89:13. SMH 21/9/89:27.
\textsuperscript{140} SMH 21/9/89:27.
\textsuperscript{141} Australian Business 27/9/89:18-22.
\textsuperscript{142} This was the company which Qintex intended to create from QEI to contain the MGM/UA investment.
\textsuperscript{143} Economist 23/9/89:82.
\textsuperscript{144} Australian Business 27/9/89:18-22.
\textsuperscript{145} Australian 18/9/89:13.
Qintex group's debt could reach $A2.4b, and were concerned that the overseas
expansion was excessive for the limited capital base at home. Peter Burden
rejected market speculations that Qintex might sell further equity in the Mirage
resorts.

MGM/UA had lost $US61.4m ($US10.8m in 1988) in the nine months to 31
May, and the financial media questioned its ability to service the debt. Film library
values were escalating, and old films were a potential source of additional income, but
Ted Turner owned the most lucrative US rights to the old MGM films. This left the
US rights to United Artists' 1,064 film library, and all the MGM/UA international
rights. The European market, with a projected deregulation, which would increase
viewing time, was expanding, and competition between two satellite stations was
raising prices. European producers, however, were demanding quotas on imported
material. Skase, who had no European outlets, could not maximise its value.

Media speculations centred on the uncertainty of Skase's 'skills as a movie
mogul'. Evans claimed that Qintex anticipated that the MGM library would generate
a cash flow of over $US300m and the latest MGM films another $US60m. United
Artists' film library, which generated about $US100m per year, was considered a safe
investment.

Several American media analysts considered the price to be 'high, but not
excessive. These reports applied labels which would have affected Skase’s ability to
raise finance. They included:

- Larry Gerbrandt, who considered that the money was then in 'the home video
game'.
- Andrew Wallach of Drexel Burnham Lambert thought that Skase might make it
  work with some economies.
- Ed Atorino of Salomon Bros, New York, said:

146 Economist 23/9/89:82.
147 AFR 19/9/89:26.
23/9/89:82.
149 Murdoch's Sky TV would have allowed him to maximise the benefits of the MGM/UA film library. Age SMH
... there (was) tremendous potential ... will (Skase) be able to achieve that level of performance? He has an entree into a closed club - which is the major studio business. (my italics) ... he has the opportunity to play in what ought to be a very lucrative game in the next few years ... If he can build UA into a major movie studio it will be a very cheap deal. ... I think that judgement has to be made after the fact not before... 152

- Jeffrey Logsdon of Los Angeles stockbroker, Crowell Weedon & Co, calculated that the with a maximum predictable cash flow of $US150m per year, and an interest bill of $US100m per year the company would need to borrow another $US500m over the next two years to finance film making. He challenged Qintex's plan to 'exploit the logo' because 'people do not pay to watch films just because they are made by a particular company, however famous its logo'. 153

- Michael Sherman, chairman of the entertainment and advertising group at law firm Mangels, Butler & Marmaro labelled the library as a 'hard asset investment', with an apparently limitless life due to Pay TV, syndication, and home video markets, and the burgeoning European market.

- Lee Isgur, of Paine Webber in New York, said 'a movie company ... (needed) the right mix of management, the luck, the synergy to create the kind of product that the public wants ... MGM/UA (had) not had any big hits ... it ... (needed) new products'. He said '(w)hen you buy a studio you never know until afterwards, until you see what is produced and how it works'.

- Julie Bergholz, vice president of the communications-media group at Union Bank, which had $US700m invested in the movie industry, but no deals with MGM/UA said:

  The word on the street is that Skase paid too much, but who knows he could be a tremendous success. The real question is whether an outsider can make it in Hollywood. No one's ever really tried it on this scale before. 154

Bergholz apparently discounted the fact that Kerkorian had been an outsider in 1969. The MGM board opposed his purchase and tried to find a 'white knight' buyer who was familiar with the entertainment industry. He oversaw MGM's decline and fade-out.

An Australian executive from one of Qintex's banks pointed out that despite detractors Skase 'had managed to build his operation from something very small to a
large multinational operation, in the past 15 years. No one could determine his future in Hollywood.155

The group’s financial problems became progressively more apparent after it made the second offer. Qintex Ltd’s and QAL’s share prices fell as Skase and his executives attempted to reassure the market. The $US50m letter of credit to MGM was not delivered by 22 September. ATN's recent revaluation to $961m from $919m seemed excessive compared with the TEN network’s fire sale price. The seven-week-old pilots' strike impinged on Mirage revenues.

Lloyd said that Qintex would retain full voting control of MGM/UA, but would take only 15% of its equity. He said that Qintex valued MGM/UA on a discounted cash-flow basis at $US34-35 per share compared with the bid price of $US25.156 He compared the new MGM/UA price favourably with the $US4.4b which Sony had paid for Columbia (plus its debt). Qintex was paying $US1.9b for a movie library which was at least as good that, plus other assets, for which Sony paid $US2.6-2.8b at Columbia.157 Qintex projected for 1989-90 that it would have 55% of the total group assets of $A7b in the US generating 60% of its revenue with an earnings increase of 125% to $A400m for 1989-90.158

Qintex released what were alleged to be unaudited management accounts, which were never confirmed with a formal annual profit report to the ASX. Later events showed these accounts to be a mirage of creative and feral accounting. Burden said both Qintex Ltd and QAL would report their results that month (October 1989). The accounts indicated that Qintex Ltd earned revenue of $753m in the year to 31 July (a 28% increase on the previous year). The figure included revenue of $US97.7m from QEI. Tax payable was $2.3m compared with a tax credit of $292,000, and minority interest was $6.4m. Group assets increased by $792m to $3,173m, and net assets increased by $309m to $1.035b. Total liabilities increased

156 Later Lloyd said that the $US35 valuation referred to tangible assets and did not include a proper value for the MGM roaring lion logo which could range between $US50m and $US500m after Qintex exploited it in full. Australian 2/10/89:13. AFR 2/10/89:1-2. Sunday Age 1/10/89:Money p2. SMH 2/10/89:25-26.
by $483m to $2.138b, mostly from short term borrowings of $344m. The accounts showed a $142m increase in current secured bank loans payable in US dollars, $81m in unsecured bank loans repayable in Japanese Yen, and $110m in secured non-current bank loans repayable in US dollars.\footnote{AFR 2/10/89:1-2.}

Nothing halted the pressure on the group’s share prices. QAL slumped to 50c on 3 October 1989,\footnote{The share price fell to about 40c but rose by the close after McIntosh bought shares. Australian 4/10/89:26. Age 4/10/89:29. Australian 4/10/89:26. AFR 4/10/89:1-2. Australian Business 4/10/89:85. SMH 4/10/89:41.} valuing Qintex’s holding at $44.39m, compared with $158.12m ($1.80 per share) in the 1988 accounts. Stockbroker Potter Partners advised clients to sell or reduce their holdings in the two companies. Skase said, through his secretary, that ‘everything (was) on course’ for the MGM purchase.\footnote{Age 5/10/89:21. Australian 5/10/89:13,15. AFR 5/10/89:18.}

Qintex, in a vain attempt to check the plunging prices, released further details of the MGM deal. This attempted to show that QAL’s was primarily a ‘coordinator of the transaction’, and its involvement would not exceed $US150m equity, some of which was the capitalisation of existing loans to Qintex. QAL’s ‘incremental liability’ involvement would be a maximum of $US50m. The MGM acquisition would not necessarily increase Qintex’s leverage or risk.\footnote{Age 5/10/89:21. Australian 5/10/89:13,15. AFR 5/10/89:18.} This statement added that MGM had asked Qintex to increase its financial guarantee.

Doubts about Kerkorian’s commitment intensified.\footnote{Age 5/10/89:21. Australian 5/10/89:13,15. AFR 5/10/89:18.} The media reported that the group had given Crédit Lyonnais security for the Letter of Credit but that the bank was withholding it because of concern over Kerkorian’s negotiating methods. It suggested that he would still consider a higher offer despite the restraining clause in the contract. US law firm Skadden Arps advised Qintex that it could sue for substantial damages if he reneged.\footnote{Age 5/10/89:21. Australian 5/10/89:13,15. AFR 5/10/89:18.}

Two days later Qintex released a letter to ASX which it had received from MGM. This indicated that the deal was not as irrevocable as first claimed. MGM said it had not received the letter of credit, despite Qintex’s assertion that it had posted security for it to a bank. MGM and Qintex then ‘discussed’ possible modifications to
the merger agreement concerning appropriate security from Qintex, but no alteration to the merger price.\textsuperscript{165} Skase flew to US for further talks intended to save the transaction. MGM said that it was seeking appropriate security from Qintex but was not contemplating a change in the agreement.\textsuperscript{166} Some analysts suggested that Qintex might have been cautious about paying non-refundable money to MGM/UA, rather than being unable to furnish the bank with sufficient security. There were also speculations that Crédit Lyonnais was reluctant to proceed until it received firm commitments from the equity participants, one of whom had possibly withdrawn.\textsuperscript{167} Later reports suggested that Kerkorian was asking for a $US150m ($A193m) deposit to secure the deal, and that 'Skase was prepared to walk away from the deal if Kerkorian did not keep to the original agreement for a $US50m letter of credit'.\textsuperscript{168} Skase would not comment publicly on the MGM/UA deal.\textsuperscript{169}

Concurrent with its US negotiations Qintex imposed economies at ATN, where it had reduced staff numbers from 2250 to 1800 since 1987. The collapse of the New Zealand merchant bank DFC NZ Ltd threatened the sale of the two regional stations to Ramcorp, although Campbell claimed it would be settled soon. The Australian Broadcasting Tribunal 'monitored' the situation.\textsuperscript{170}

Qintex's deal to buy MGM/UA collapsed on 11 October 1989, with contradictory allegations, and threats of legal action, from both sides. MGM/UA filed a suit alleging breach of contract and fraud against Qintex in the Federal District Court in Los Angeles, seeking at least $US50m in damages. Skase told the Brisbane ASX that Qintex would sue MGM/UA for damages. He alleged that Qintex had taken steps to secure the letter of credit but that MGM/UA had proposed 'bad faith' changes in the deal that 'shifted daily' as Kerkorian attempted 'to extract higher economic value'.\textsuperscript{171} Qintex said that Kerkorian was a 'moving target' who had tried to boost the deposit from the $US50m to $US200m, and that his demands had increased after

\textsuperscript{165} Age 7/10/89:23. Weekend Australian 7-8/10/89:38.
\textsuperscript{168} Age 10/10/89:27. SMH 10/10/89:25.
\textsuperscript{169} Australian 11/10/89:1,27.
\textsuperscript{170} Australian 11/10/89:25,27.
\textsuperscript{171} New York Times 11/10/89:D1,D6.
Sony purchased Columbia. MGM/UA argued that it had made every attempt to make the deal work, and that Skase's purported efforts to complete the deal were fraudulent.172

Barbakow173 stated that after repeated attempts 'to make the deal work', termination was MGM/UA's only option. These attempts included 'proposals to reduce the letter of credit, accept substitute security or accept an opinion from Qintex's investment bankers of Qintex's ability to finance the merger'. Another proposal waived the letter of credit, but allowed MGM/UA to consider other offers. Tracinda had indicated willingness to provide up to $135m of the cost, without voting rights. Barbakow alleged that Qintex required: (1) that the letter of credit or any security be waived; (2) that MGM/UA relinquish the right to damages if the deal collapsed; (3) two months postponement of the settlement date; and (4) that MGM/UA invest in Qintex.174

The Hollywood hierarchy never accepted Skase: 'Qintex was always an outsider'. Barbakow said that MGM had maintained contact with Fox from the time when Qintex made its initial bid. Kerkorian had decided in September that he wanted to sell the whole company, not just part as originally agreed and MGM had given Skase ample time to consider the changed conditions before Murdoch made his bid. He did not explain how Murdoch had ascertained the changed conditions; the Australian (a Murdoch paper) suggested that the Fox film studio's membership of the Hollywood club possibly gave News 'the inside running'.175

Capps denied that Kerkorian had offered $US135m to facilitate the merger. He said that the merger failed because the two companies were unable to agree 'on the back end of the deal'. Capps said that early in October Qintex had asked MGM if it would 'forgo all demands such as punitive damages and be willing to accept up to $125m as Qintex's sole liability' if Qintex could demonstrate to MGM's satisfaction

172 Age 12/10/89:25.
173 'He was the former Merrill Lynch investment banker who had been running MGM while trying to find a buyer stood to make a huge financial gain from the sale as part of his employment contract.' New York Times 11/10/89:D1,D6.
175 Australian 12/10/89:14.
that the deal would be completed by the December deadline. MGM agreed, but when Qintex had produced a co-sponsor with a market capitalisation twice that of the combined top ten Australian companies, MGM continued its demands and pulled out of the deal, without evidence Qintex could not pay. Capp argued that MGM had purposely prolonged negotiations 'as a protection against any possible class action from minority shareholders if MGM had to accept less than Qintex's offer of $US25/share'.

Media speculation about the group’s ability to raise the equity for the deal continued after it collapsed. A National Broadcasting Company (NBC) spokesman, Joseph Rutledge, said that NBC had reached a verbal agreement with Qintex, following several months of talks which did not involve MGM. NBC had arranged in November 1988 for ATN to become its first overseas affiliate. The framework of NBC's equity in MGM/UA was designed to conform with 'the financial interest and syndication rules adopted by the Federal Communications Commission in 1970', which NBC opposed.

On the other hand MGM lawyer Andrew White, of Christensen White Miller Fink and Jacobs, said that MGM doubted Qintex's veracity. He asserted that Qintex had never received firm commitments to equity from anyone, including NBC. MGM doubted if there were any firm arrangements organised for the initial deal. Reported investors included NBC, Mitsui, Nippon Shinpan, Mitsubishi, Bindai, the French TV network TFI, the Rank Organisation in Britain, Banque Indo-Suez, and the Parkfield group. These were mostly MGM customers who had agreed to provide $US1.2b of the equity funding. The balance of the $US2b was reported to have been arranged through banks which included: Citibank, Bank of America, Barclays, Crédit Lyonnais, Paribas and Lloyds. Their interest however was apparently dependent on Skase having 'MGM in his pocket'.

176 Australian 13/10/89:15.
177 New York Times 13/10/89:D1,D6. SMH 14/10/89:37,40.
178 Age 14/10/89:27. Weekend Australian 14-15/10/89:1,35.
179 BRW 13/10/89:7-8.
QEI moved to distance itself from the collapse of the MGM deal. Its share price fell from $US5.50 to $US4. It retained investment bank Bear Stearns to monitor the situation. It said it was not involved with the deal's finance, and was to be formally involved only after QAL completed the arrangements.\(^{180}\)

On 20 October 1989 QEI filed for a chapter 11 bankruptcy for itself and its subsidiaries, Hal Roach Studios Inc and Qintex Productions Inc. It could not meet a $US5.9m payment due on 19 October to MCA in connection with MCA's share of a distribution agreement with Hal Roach Studios. QAL, which had provided most of its 43% owned subsidiary's working capital to that time, had guarantied the payment but was unable to secure refinancing to cover it. The California based bank Security Pacific, had provided QE'I's working capital, but withdrew when the MGM/UA offer was made,\(^{181}\) and would not resume funding when it fell through.\(^{182}\) QAL had guarantied a $US35m loan to QE'I from Security Pacific. This loan ranked ahead of the Qintex group for QE'I's assets, but Security Pacific was an unsecured QAL creditor.\(^{183}\) Evans, QE'I's president and chief executive, and independent director Roger Kimmel, resigned from its board.\(^{184}\)

Chapter 11 allowed QE'I to continue trading without immediately meeting creditors' demands. Capps suggested that a QE'I executive had diverted some of the money ($US1.5m) from a holding account (for that payment) into another company account, before a meeting to discuss the payment 'in case (it was) forced into chapter 11'. QAL claimed that it had reconsidered 'its position as a major QE'I shareholder' after the MGM deal collapsed, and would limit its financial involvement with it. Neither Skase nor other QAL officials were accessible for comment.\(^{185}\)

The group was now in a precarious financial position. The $110m sale of the regional stations had collapsed; it could not raise the relatively small amount of

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\(^{180}\) *AFR* 13/10/89:20.

\(^{181}\) A loan facility of $400m was reported to have been arranged for the company to be formed when QE'I merged with MGM/UA. *SMH* 11/11/89:44.

\(^{182}\) *Australian Business* 1/11/89:24-25.

\(^{183}\) *SMH* 11/11/89:44.

\(^{184}\) Kimmel was a long standing director and New York lawyer who had been involved with QE'I's predecessors. He would not comment publicly on his resignation *AFR* 23/10/89:1,10. *Sunday Age* 22/10/89:MoneY1-MoneY2.

$US5.9m for QEI. QAL 's share price never recovered from its fall over the proposed MGM deal, which gave an Qintex Ltd an estimated $100m 'negative value' - its share price fell to $2.\(^{186}\)

Skase ignored requests for information, and avoided major Australian shareholders (FAI, AMP, and QTC). He refused to release annual accounts. A Qintex spokesperson called QEI’s bankruptcy 'a short term liquidity problem', and said QAL was not involved. Directors maintained that the annual report due before 31 October 1989 would disclose a QAL profit of $50m and a dividend of 18c.\(^ {187}\)

Directors were now in a precarious position themselves. Under Section 556 of the Companies Code directors and management were personally liable for new debts and were subject to penalty if the company continued to operate once they had ‘reasonable grounds to expect’ that it would be unable to meet its debts when they became due, which placed their personal funds at risk if it were proven that they knew that a company might not be able to pay its debts. The NCSC intervened and intended to consult the company's auditors over doubts ‘whether the market has been properly informed’.\(^ {188}\)

The ASX, acting independently of the NCSC, suspended the Qintex Ltd and QAL at the close of trading on 23 October 1989.\(^ {189}\) The group failed to meet a 5pm extended deadline to answer questions about its financial position following QEI’s bankruptcy, and its share prices had collapsed (Qintex Ltd’s to $1.30 and QAL’s to16c).\(^ {190}\) Qintex was asked\(^ {191}\):

- whether directors believed the group to be solvent and able to meet its financial commitments,
- to provide details of meetings with its bankers held between 24 October and 26 October, and

\(^{186}\) One analyst, Brad Orgill of Potter Partners, had estimated that Qintex Ltd had a negative worth of more than $65m when QAL shares were trading at 80c. \(\text{Age 16/10/89:28.}\)

\(^{187}\) New York Times \(24/10/89:D4.\)

\(^{188}\) Australian 13/10/89:25; 20/10/89:15; AFR 20/10/89:21; SMH 13/10/89:25; 24/10/89:25.

\(^{189}\) Australian 20/10/89:15; AFR 20/10/89:21; SMH 24/10/89:25. BRW 27/10/89:7.

\(^{190}\) Before its suspension QAL's share price fell to 16c. \(\text{New York Times} 24/10/89:D4.\)


ASX released details of the questions when Qintex failed to respond to a 10am self-imposed deadline for the ASX on 26 October. \(\text{Australian 27/10/89:1,13.}\)
• to advise whether there are any other payments due to a private company controlled by Qintex directors other than a bill of $32.6m already disclosed (see below).\textsuperscript{192}

An exchange official said that the company had ‘been on notice all bloody day’.\textsuperscript{193}

ASX indicated that the companies would not be relisted until they had answered its questions. Graeme Chapman, managing director of ASX Brisbane, urged the group to supply full financial disclosure.\textsuperscript{194}

On 20 November 1989 Skase applied to the Victorian Supreme Court for the appointment of a receiver to QAL and 27 of its private subsidiaries.\textsuperscript{195} The MGM deal had been essential for the group's survival.\textsuperscript{196} In the six weeks between the collapse of that deal and the appointment of receivers, Qintex's bankers dominated Skase’s attempts to salvage some part of his empire and the financial media speculated about its future. This six week period is described below

Lack of information exacerbated media speculation. The group valued its gross assets above $2.4b. Its balance closed on 31 July but it did not release a preliminary profit statement. Its audited accounts were fifteen months old. The unaudited management accounts mirage released at the beginning of October claimed about $1.4b total debt and $3.17b total assets at the end of July.\textsuperscript{197}

\textsuperscript{192} Australian 27/10/89:1,13.
\textsuperscript{193} Australian 24/10/89:1,17. Times 24/10/89:29.
\textsuperscript{194} Australian 26/10/89:1,5.
\textsuperscript{195} The 28 companies which requested a receiver were: Balavista Pty Ltd (Qld) Dodeca Pty Ltd (ACT), IPH Aviation Pty Ltd (Tasmania), IPH Equities Pty Ltd (Tasmania), IPH Finance Pty Ltd (Tasmania), IPH Holdings Pty Ltd (Tasmania), IPH Media Pty Ltd (Tasmania), IPH Properties Pty Ltd (Tasmania), IPH Retail Pty Ltd (Victoria), IPH Vintners Pty Ltd (Victoria), Montmarillon Pty Ltd (Victoria), Qintex America Ltd (Victoria), QAL (Victoria), QAL Finance Ltd (ACT), QAL Indemnity Ltd (ACT), Qintex Television Ltd (Queensland), Valnile Pty Ltd (Queensland), Australian Television Network Holdings Pty Ltd (ACT), Coucal Pty Ltd (ACT), Fifth Watusi Pty Ltd (Victoria), Kaycliff Pty Ltd (Queensland), Quetzal Pty Ltd (ACT), Universal Television Pty Ltd (Queensland), Universal Broadcasters Pty Ltd (Queensland), Universal Broadcasters Investment Pty Ltd (Queensland), Universal Broadcasters Finance Pty Ltd (Queensland), Universal Broadcasters Securities Pty Ltd (Queensland), and Universal Broadcasters Marketing Pty Ltd (Queensland). Age 21/11/89:1,4,33. Australian 21/11/89:1,12,15,19. AFR 21/11/89:1,4,76. SMH 21/11/89:1,25,26.
\textsuperscript{196} This was confirmed by evidence given by deputy chairman Peter Burden at a liquidator's hearing for Qintex Group Management Services in 1992.
\textsuperscript{197} AFR 24/10/89:1-2,16,60. SMH 24/10/89:1,24,25.
Skase attributed a $200m cash flow deficit to a combination of high interest rates, the pilots’ strike, and the aborted sale of the regional stations. The failed MGM/UA deal, which ‘would have generated a great deal of money for Qintex’, cut QEI's access to banking facilities. MGM’s claim against Qintex increased to $US70m (another $US20m which Campbell called ‘totally improper, without any legal foundation’). Qintex retained the Los Angeles law firm Irell and Manella to represent it.

Skase continued to hide at the Gold Coast Mirage, and avoid major shareholders (FAI, AMP, and QTC) until the 27 October. He ignored requests for financial information. On 27 October meetings in Sydney, including one with the NCSC’s Henry Boesch, which lasted until 8.00pm, were followed by more in Brisbane. McIntosh and ANZ Trustees attempted unsuccessfully to gain leverage over the banks with respect to a trust deed issued for $70m worth of convertible notes sold to a range of institutions. McIntosh, who marketed the notes, and ANZ Trustees, checked for any possible breaches of the deed’s covenants, which would allow the noteholders to put QAL into receivership.

Another scandal erupted on 31 October, which laid the foundations for the general public acceptance of Skase as a scapegoat for the corporate excesses of the 1980s, and the witch hunt which followed. The demonisation of Skase and the

198 QAL receiver John Allpass cited CM 16/10/92:25.
200 He travelled between the Gold Coast and Brisbane by car instead of helicopter so that he could talk on the phone. He avoided the press and was involved in car chases with them on at least two occasions as he tried to evade reporters - one in Sydney, on the way to the banks, and one in Brisbane on the way to a meeting with Jim Kennedy, chairman of the Queensland Treasury Corporation.
201 FAI's exposure to Qintex was $62m; $15m in ordinary shares, $20m in preferences, and $27m in loans secured by property. QTC had invested over $52m in QAL. Another large institutional shareholder was Richard Pratt's financial services subsidiary Battery Group. Its exposure to both Qintex Ltd and QAL was revealed in its preliminary results for 15 months to September 30. By November it was uncertain whether it would be able to recover its $15m investment in the Qintex Group.
202 Age 23/10/89:36. Australian 20/10/89:15. AFR 20/10/89:30; 27/10/89;1,2; SMH 23/10/89:29;31; 24/10/89:25.
transition from charismatic leader to public scapegoat as described by Weber, and its construction as a ‘landmark narrative’ is discussed in chapters 1-3. It concerned the payment of $32.6m, (later corrected to $41.m) for 1987-89 for ‘management services and expenses’, to Qintex Group Management Services Pty Ltd (QGMS). QAL’s non-executive directors refused to approve the payment, despite Salomon Brothers’ ‘independent financial advice’ that it was reasonable and could have been higher. Two directors resigned over the matter on 22 October. Two others had resigned from the board two weeks earlier. QAL’s remaining directors were Skase, Burden, Sir Lennox Hewitt, former Qantas chairman, and Sam Doumany, former (Liberal Party) Queensland Attorney General, who proposed to deal with the claims in accordance with their fiduciary obligation as directors, as required by law when a third independent director was appointed. The NCSC instituted a full scale investigation into the payment.

QGMS was controlled by Qintex executives: part of its pyramid was a company Qintex Group Management Pty Ltd, registered in the Cayman Islands, a tax haven which provided secrecy for its operations. Its principal shareholders were Skase’s Kahmea Investments (10 Units) and Burden’s Plumbea Pty Ltd (2 units). Other unit holders were Finplan (Geoff Putland), R&D Media (Bob Campbell), and Tabart Maintenance and Tabart Management (John Tabart). Its directors were

203 Purchasers of the notes included BHP's Superannuation Fund, the South Australian Superannuation Fund Investment Trust and NZI. AFR 27/10/89:1,25.
204 Ted Harris, chairman of Australian Airlines and retired former CEO of Ampol Petroleum, and Frederick Davey, a Melbourne barrister who had joined the Qintex board in 1979. Neither would comment, but a Queen's Counsel's was believed to have advised them that some of the payments may have been 'improper'; Skase indicated a connection with the payment. Davey was believed to have outlined his reasons in a long letter to remaining Qintex directors. SMH 31/10/89:25.
205 Sir Leo Hielscher, former under-secretary of the Queensland Treasury, who resigned from the board two weeks earlier, citing business pressures and a family illness, had been on the board when the payments were first raised. Another director Dudley Braham, appointed in the 1970s, said that he had resigned from the Qintex board because of his age. Age 27/10/89:17.
Putland, Tabart, Campbell, Burden and Skase.\textsuperscript{208} It ceased operations on 31 October 1989. QGMS provided ‘direct management expertise’ in: project management, treasury, investment, accounting, cost control, secretarial, legal, property, marketing, media, personnel and purchasing. Its management activities included merchant banking advice and, (apparently) Skase and Burden’s services as directors. Other companies in the group, including MRT, paid QGMS management fees in previous years. Merchant banking advice included the sale of 49% of the Mirages. QGMS paid FAI a ‘surprisingly high’ $5m premium on a kidnapping and ransom policy covering QAL executives, for the period February 1 1989 to June 30 1989, after Adler complained that Qintex had not given FAI any insurance business.\textsuperscript{209}

Skase said it comprised the ‘key people behind each department and each division of the group’s operations’. It had received management fees openly for 14 years (since 1975). These were regularly approved and reported regularly to the banks, to Australian Ratings, and in group annual reports.\textsuperscript{210} It is not mentioned by name, however, until included with ‘particulars of Directors’ interests … in accordance with subsection 228(1) of the Companies (Tasmania) Code’ in Qintex Ltd’s 1985 report. Directors Skase, Burden and Curtis indicated their association with Qintex Groups Management Pty Ltd, as well as individual associations with Kahmea Investments Pty Ltd (Skase), and Corplan Pty Ltd (Curtis) which ‘received fees for management administrative accounting and other related services rendered to companies within the group’.\textsuperscript{211}

The management company distributed funds to several of the group’s executives. Skase said they:

\textit{(had) had to forgo a number of other corporate benefits they would have had if they had operated in a different way ... they have never had low interest housing loans.}\textsuperscript{212}

\textsuperscript{208} Skase in evidence Re Lloyd’s Ships Holdings Pty Ltd: Public Examination held at Brisbane in the District Court before Judge Miller QC 19/3/90; transcript:324-328. SMH 23/5/91:31.
This statement was a deliberate lie. In the late 1980s Skase approved Qintex subsidiary Kodogo Pty Ltd’s two interest free, unsecured loans to John Tabart, for $100,000, to be repaid no earlier than 10 years after leaving QGMS and $385,000, to be repaid 5 years after leaving QGMS. There was no paper work associated with the loans until Tabart had it drawn up for taxation purposes in January 1989. The Kodogo liquidator attempted unsuccessfully to call in the loans arguing that Tabart left QGMS ON 25 October 1989. He also sought $300,000 interest which he argued should have been charged on the loans.\textsuperscript{213} Geoffrey Putland said that his $300,000 salary package in 1989 included pay, a Porsche, an interest free loan and bonus payments, plus $600,000 he borrowed to buy a Mirage resort condominium, which he repaid when the receiver pressed for it.\textsuperscript{214}

QAL released some details of the payments on 22 October, following contact with NCSC. The $32.6m paid to QGMS in late 1989 comprised $17.9m in direct reimbursement of head office outgoings\textsuperscript{215} and $14.6m distributed among Qintex executives for management services. Four days later Skase admitted another $9.5m had been paid to QGMS since July 1989, but refused to give details.\textsuperscript{216} The independent directors reduced the original $80m claim for that year, which exceeded reimbursement costs by $60m. QAL claimed a $50m profit for that year.\textsuperscript{217} Skase received $12m (60 times the Prime Minister’s salary) in the year before the group collapsed.\textsuperscript{218} Table 7.2 gives the distribution of QGMS directors’ fees for 1988-89 and 1989-90.

| Table 7.2  Distribution of fees paid by QGMS\textsuperscript{219} |
|----------------------------------|------------------|
| 1988/89                          | 1989/90          |

\textsuperscript{213} AFR\textsuperscript{7}/6/95:10. CM 7/6/95:7.
\textsuperscript{214} CM 18/2/92:2; 19/2/92:11; 4/8/92:1.
\textsuperscript{215} These included rent, security, insurance leasing, travel, advertising, secretarial, communications, legal fees, depreciation and interest payments.
\textsuperscript{216} Australian 27/10/89:13. AFR 27/10/89:1.
\textsuperscript{217} Age 11/11/89:27,32.
\textsuperscript{218} CM 4/8/92:1.
\textsuperscript{219} Age 11/11/89:27,32.
The ten senior members of the Wardley-led syndicate (table 1.2, p19 and appendix 3) which supplied the March 1989 $650m re-financing package now controlled the group’s major assets: 51% of Mirage Trust units, the Seven Network television companies, 51% of Qintex Resorts BV (Holland) which owned 100% of Princeville, and Qintex’s 43% of QEI. They controlled its future, and set the terms for negotiation. Other secured creditors included Bank of America and Sumitomo Trust which shared a first charge over the same security for a $75m syndicate, and the State Bank of NSW which gave a $US85m bridging loan for Princeville redevelopment, secured against the Princeville Resort, due at the end of October. It held solid asset security, and expected to recover its money.

Other bank creditors who carried higher risks, included the second tier lenders in the re-financing package, Chase AMP and DFC with about $150m convertible notes and preference shares, and those non-syndicate bank whose loans were secured against paper, (Qintex Ltd and QAL shares), including the Bank of New Zealand, and the State Bank of Victoria, which had assumed Tricontinental's debts.

After several meetings between 24 and 26 October (the ASX requested details of them), the Senior syndicate appointed Peat Marwick Hungerfords' partners,
John Allpass and David Crawford, to collect financial information about QAL, and to advise about possible reconstruction.\textsuperscript{226} Skase’s credibility was further reduced when he admitted, on 26 October, that QAL, which held $A83m equity in QEI, had guaranteed SUS35m ($A45m) bank loans, for QEI in addition to the $49.6m unsecured interest-free loan already disclosed: it had injected about $122m into QEI with very little return.\textsuperscript{227}

Skase made several attempts to retain control of the 7 network. He promised to ensure ‘his company staff and assets (were) looked after’.\textsuperscript{228} He first suggested a merger between QAL and Qintex Ltd, the sale of the Adelaide and regional television stations, and group’s 51\% of the resorts,\textsuperscript{229} while retaining a long term management contract to generate fee income of $15m in 1991, up to $42m in 1995. This would realise $600m, and leave about $700m debt, plus its $171m of convertible notes carrying an annual interest of $105m at a notional rate of 15\% (more than its interest for 1988). He valued Qintex’s assets\textsuperscript{230} at:

- Land and buildings (including Mirage Resorts Trust) $1.1b, (He inflated this figure by including the full value of Qintex's 51\% of the Trust.)
- Television licences (five metropolitan and two Qld regional) $900m
- Cash and receivables - nil cash and $400m receivables,
- Other current assets (including inventory, stock, program rights and sundry debtors)- $500m,
- Investment and other non-current assets (including 42\% QEI) - $200m,
- An unspecified $100m.\textsuperscript{231}

\textsuperscript{226} Age \Color{25/10/89:116,25; 26/10/89. Australian \Color{25/10/89:1-2,24,25,26; 27/10/89:1,13. AFR \Color{25/10/89:1-2,5,76; 27/10/89:1,25. BRW \Color{27/10/89:7. SMH \Color{24/10/89:1,24,25; 25/10/89:41,45; 26/10/89:1,33.}

\textsuperscript{227} The extent of this was revealed in the three quarter accounts filed by QEI with the SEC. Age \Color{25/10/89:116,25. Australian \Color{25/10/89:1-2,24,25,26; 27/10/89:13. Australian Business \Color{1/11/89:24-25. AFR \Color{25/10/89:1-2,5,76. New York Times \Color{24/10/89:D4. SMH \Color{24/10/89:1,24,25; 25/10/89:41,45. Australian \Color{2/11/89:12,13.}

\textsuperscript{228} Qintex’s two Japanese partners had very little information about its position, and would not comment on any possible purchase of the rest of the Mirage resorts.

\textsuperscript{230} At some point FAI apparently bought Qintex’s 60\% (which it had recently valued at $30m) of the proposed Sailport Marina development project in the Whitsunday Islands in North Queensland, with a deferred contract to acquire the minority interests (Transstate 27\%, and Murphy Corporation 13\%). This sale was not publicised and the general public believed that Qintex still held it. AFR \Color{2/11/89:18. Weekend Australian \Color{11/11/89: Property 1.}

\textsuperscript{231} SMH \Color{3/11/89:25.}
He claimed that the Australian resorts would raise $460m, and that the smaller investments such as Mariners' Cove would raise about $150m (which may have been passed to FAI at that time when FAI called in its security over some assets early in November, before the receivers were appointed (See chapter 3). He assured the NCSC\textsuperscript{232} that Qintex ‘would be able to pay all its debts as and when they fell due.’\textsuperscript{233} He predicted the if allowed to survive the 7 network’s pre-interest cash flow would increase from between $50m and $60m in 1988-89 to $249m in 1995, and that the total group cash flow before interest would increase from $170m (1988-89) to $291m (1995).\textsuperscript{234} He also estimated that QAL would realise $100-140m from its QEI holding.\textsuperscript{235} The senior banking syndicate provided a $20m short term facility to be repaid from advertising revenue ($30-40m) due on 15 November.\textsuperscript{236} The State Bank of NSW withheld action over QAL’s unpaid $US85m ($A100m) bridging loan until 14 November.\textsuperscript{237} Australian Ratings reduced Qintex's credit rating to its second lowest classification.\textsuperscript{238}

Alternatively he suggested that the group be privatised with a merger between Kahmea Investments (his family company) and QAL and Qintex Ltd, and that the banks exposed to Qintex Ltd and Kahmea convert their debt to equity in the merged company, plus 'some sort of concession on interest payments'.\textsuperscript{239} This would have benefited only Qintex Ltd and Skase's personal creditors who needed him to retain his position in the group if they were to have any recompense.\textsuperscript{240}

\textsuperscript{232} The NCSC had the power, under the Companies Code, to seek the court appointment of a receiver if Qintex had not answered. \textit{SMH} 3/11/89:25.
\textsuperscript{233} \textit{Australian} 2/11/89:12,13. \textit{AFR} 26/10/89:12.
\textsuperscript{234} This included an expected increased cash flow from the 1992 Olympic Games.
\textsuperscript{235} \textit{AFR} 7/11/89:1-2.
\textsuperscript{238} \textit{Australian} 2/11/89:12,13. \textit{AFR} 26/10/89:12.
\textsuperscript{239} \textit{AFR} 7/11/89:1-2.
On 29 October the ASX and the NCSC each formally asked Qintex for assurances about the group's solvency. Skase’s answer required each television station’s independent board (and independent directors) to determine its own position in order to protect its directors.241 The creditor banks arranged a telephone hook-up meeting with the board of each station in the network.242 Directors sought legal assurance that the companies were solvent, and that the group would be able to meet debts as and when they fell due if they allowed their television stations to incur debts.243

Campbell admitted that the $42m profit the Seven network reported in 1988 had not included interest and tax payments, which 'lowered the results dramatically'. He said that 7 network would attempt to reduce the price paid for overseas programs. He said that some local suppliers had not been paid over the last two weeks. Campbell claimed that the Adelaide station would be sold for $52m by 12 November, following eleven expressions of interest.244 The two Queensland regional stations were still for sale.245

Qintex's problems were part of a much larger crisis in Australian television which had wider political implications. As an aftermath of the entrepreneurial excesses of the 1980s all three national commercial networks had severe financial problems. Following the Tribunal's inquiry into Bond Media the Federal Cabinet proposed to amend Section 92M of the Broadcasting Act to reinforce the Tribunal's powers to deal with crises, and allow it to impose conditions without the licensee’s agreement, issue directions and order divestment, if it found that the licensee was no

241 Age 1/11/89:29.
244 AFR 2/11/89:18.
longer fit and proper, or that it lacked financial, technical or management capability.\textsuperscript{246} Other areas being considered were:

- possible suspension of the aggregation, or equalisation of regional services,
- possible re-appraisal of the Australian Broadcasting Tribunal's new local content rules,
- possible postponement of the introduction of pay television, and
- a possible reconsideration of rules about foreign ownership.\textsuperscript{247}

The Queensland National Party Government faced further potential political impact because of its connections with Qintex. A large parcel of formerly state-owned prime beachfront land would probably fall into 100\% foreign (Japanese) ownership. They referred this to the FIRB which had the power, under the Foreign Takeovers Act, to override the pre-emptive rights clause which gave the Japanese preference.\textsuperscript{248} Another aspect was the probable loss of $50m of public funds invested in QAL’s preference share and convertible notes.\textsuperscript{249} QTC chairman, Jim Kennedy, said that the decision to invest in Qintex had been made by Treasury officials based on the large volume of research available at that time; its eight-member investment board would evaluate its investments. Suncorp Finance and Insurance, another Queensland quasi-governmental organisation, had sold its $15m Qintex investment several months earlier after it appeared that Qintex was 'wavering from its stated path of consolidation'.\textsuperscript{250}

Concomitantly doubts were emerging about the realisable value of Qintex's assets. McIntosh had valued them at $2.4b, in April 1989, and lenders valued them between $1.7b and $1.8b, at the end of October. The company had a $1.6b debt and

\textsuperscript{246} Age 26/10/89. \textit{Australian} 26/10/89:1,5; 30/10/89:2. \textit{AFR} 26/10/89:3.
\textsuperscript{247} \textit{AFR} 25/10/89:76.
\textsuperscript{248} The then Federal Treasurer Paul Keating, had favoured an open foreign investment policy as a means of helping to fund Australia's burgeoning foreign debt. He said that he did not "... like to see companies running into insolvency problems, ... but that's the market working and that's the difference between having sovereign debt and private debt". \textit{Australian} 26/10/89:1,5.
\textsuperscript{249} This included funds from the Queensland public servants' superannuation fund, managed by the QTC.
$700m shareholders’ funds. This assumed that the Mirage resorts would realise $400-500m and ATN about $450-500m.251

Qintex failed to make a quarterly payment at the end of October and lost its option to land adjacent to the Dana Point property in California, plus $US15-20m in deposit and option fees which it had paid to the Chandler Sherman Family Trust.
Qintex paid $US255m for the Dana Point land on 30 June. It revalued it to $US325m in September 1989 to use as part of the collateral for the debt and equity it was trying to arrange for the MGM deal.252

Skase’s arrogance and disregard for other people led to his mismanagement of relations with his Japanese partners, which lost him their possible support. Mitsui and Nippon Shinpan paid a premium for their 49% of the Mirages for the ‘Skase factor’ – his ‘marketing flair, grand plans, expertise and credibility in Australia’. He followed his usual pattern of extracting what he wanted, then not bothering to ‘even recognise the person in the street’.253 He did not understand the Japanese view of business relationships, which they considered:

valuable long term relationships which may expand into a number of fields and when necessary see each partner help the other out for the sake of maintaining that all-important relationship.254

His Japanese partners might have helped him in the short term, if he had handled them better.255

All Qintex's bank creditors met on 2 November 1989, to determine its future, and ensure that all exposed banks were informed, reducing the risk of ‘somebody

251 He also commented on the size of the $42m payment to QGMS in relation to the size of Qintex. SMH 1/11/89:41.
253 AFR 29/6/90:1,18.
doing something precipitate’, followed by a meeting with Skase and Qintex executives. In addition to the dominant syndicate members the State Bank of Victoria and the New Zealand merchant bank DFC attended. Bankers, including Barry Poulter, the Commonwealth Bank group's chief general manager corporate, complained about a lack of information from Qintex. The meeting appointed Hong Kong-Wardley Australia to represent, and relay information to, the dominant syndicate, and the State Bank of Victoria to inform other banks exposed to the group.256

On the same day as the meeting, and presumably in an effort to influence it, two anonymous individuals paid $7,680 for an advertisement in the *Australian Financial Review* headed ‘Australians support Qintex’. It was signed by a group of prominent Australians, many of whom had business connections with the Qintex group. These included entertainer Derryn Hinch, golfer Greg Norman, merchant banker Nicholas Whitlam, Skase’s sometime business associate and media owner Harold Mitchell, entertainer Johny Farnham, Farnham’s manager Glenn Wheatley, architect Desmond Brooks, and some senior advertising executives.257

By mid-November it was apparent that QAL’s unsecured creditors were not likely to be repaid in full, and that Qintex Ltd’s shareholders and creditors (whose main asset was QAL shares) and Skase's private companies (whose main asset was Qintex Ltd shares) would not receive anything. Qintex Ltd had total debt facilities of $149m. Kahmea's debt was estimated to be about $50m. Skase himself was at the bottom of the 'pecking-order' in access to the group's assets.258

Skase now admitted that the group's cash flow deficit was $250m, not $200m. He denied that Qintex would collapse, as its failure would destroy his $75m personal fortune. He did not indicate how much of that fortune was debt. Skase again claimed that asset sales should raise about $1b and almost clear the group's debt.

Various institutions held about $300m of 'quasi-equity' and 'quasi-debt' in QAL, comprising convertible notes ($171m), unsecured notes ($15.6m), plus redeemable preference shares ($100m) issued 1986-1989. These ranked as unsecured creditors ahead only of ordinary shareholders if the company were wound up.²⁵⁹

Unsecured creditors included:

- AMP, ($55m unlisted convertible notes, but also about ($45m in preference and ordinary shares),
- South Australian SFIT (Superannuation Fund Investment Trust), $9m convertible notes,
- BHP Superannuation Fund, $8m convertible notes,
- Prudential Assurance Co, $2m convertible notes.

Other unsecured creditors for unknown amounts included:

- ANZ Nominees, possibly for an overseas investor,
- NZI Life,
- Barclays Australia Investment Services,
- Australian American Assurance Co,
- The Commonwealth SFIT, and
- National Mutual.²⁶⁰

A group which held preferences liable to be redeemed at $4 each in 1998 included:

- ANZCAP Nominees,
- NML (1.1m),
- Sheraton Pacific Hotels Pty Ltd (1.04m),
- AMP Society (675,000),
- Pancontinental Mining Ltd (320,000),
- SFIT (800,000).

²⁵⁹ AFR 14/11/89:19.
²⁶⁰ AFR 14/11/89:19.
Preference shareholders included FAI Insurances, but it may have sold its preference stock and presumably this relates to its acquisition of Sailport Marina. The Queensland Treasury Corporation held $50m convertible redeemable preference shares and convertible unsecured notes. Sun Alliance sold its convertible note holding before October 1989, but may have purchased some ordinary shares in October.

The US District Court in California rejected MGM/UA's application to seize assets to meet its $US50m damages claim. It ruled that MGM/UA was not entitled to the $US50m liquidated damages it claimed, but that

any claim for damages must be limited to any damage or loss, able to be proved or established by MGM at the trial of the proceedings after considering evidence of any actual loss and any cross claims by Qintex Australia.

QEI had a negative cash flow, despite a reported notional operating profit of $US7.1m on revenue of $US76.7m. With a $US33m shortage it needed QAL’s injections of funds to produce results. QAL had given it a $US70m funding commitment. MCA threatened legal action after QEI filed for chapter 11, which further obscured the size of QEI's losses.

Qintex's bankers released Crawford's three-volume report on 15 November. He calculated that the group had about $1.5b total debt. He included details of the different levels of the group’s loan exposure, the security held by the various lenders and the due date of each loan. QAL doubled its loans to Qintex Ltd to $49.8m in 1988-89, and invested a further $80m in Queensland Merchant Holdings (which was

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261 In July 1990 the CM reported that 'Sailport, on Boathaven Bay, Airlie Beach, was being developed by Sailport Pty Ltd, previously controlled by Qintex and now by FAI. CM 16/7/90:3.
262 AFR 14/11/89:19.
263 AFR 14/11/89:19.
about 60% owned by Qintex executives, see p94-95). He excluded Skase from any strategic role with the group. Crawford advocated either: an informal scheme of arrangement, or a court appointed scheme of arrangement, or receivership. A moratorium required the agreement of all the bank lenders for its implementation, but any one debtor could appoint a receiver. He argued that continued operation would maximise the value of the group’s major asset, the Seven network. It needed another $30m (including $25m licence fees) to operate until March 1990. The senior syndicate had already increased its earlier advance of $20m to $45m.267

The senior syndicate decided to meet on 16 November to 'to thrash out an agreement', after several meetings to consider Crawford's report. They invited all the lenders to QAL and Qintex Ltd to a second meeting on 17 November. Most of the senior syndicate preferred a scheme of arrangement, which needed an additional $30m. This would have included a moratorium on Qintex Ltd's and QAL's debts (including the $85m bridging loan from the State Bank of NSW and a $206m loan from Chase AMP Bank and DFC) relieving QAL from principal repayments. Their proportionate exposure would have increased and they would have been repaid from assets sales as received. Concomitantly the NCSC renewed its demands that Qintex and QAL to prove their solvency.

Skase resisted the banks’ pressure on 17 November to relinquish control of the company and allow Crawford administer its the day-to-day running.268 However a Qintex spokesman, Peter Charlton, admitted that Qintex's bankers controlled its future, and were divided about the best option. Twenty eight banks had agreed to a moratorium by 17 November, but the Commonwealth Bank and Barclays Bank did

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266 Crawford later met some of the bankers to elucidate some points in the report
not, although Barclays had indicated that it follow the Commonwealth.\textsuperscript{269} Neither bank, which were senior syndicate members would have benefited from a moratorium. They seemed more likely to be repaid in full from an asset sale than junior lenders and unsecured lenders.\textsuperscript{270} The banks planned to release a detailed public statement on 20 November, which effectively allowed Qintex directors two days (a weekend) to decide their future.\textsuperscript{271}

The banks wanted to maintain the viability of the group's assets, and keep the businesses running under new, and hopefully better, management.\textsuperscript{272} The banks received several expressions of interest in all or part of the group’s assets. Reports claimed that a 'large English company' and a 'Japanese trading house', had made offers for Qintex's Mirage units plus the Dana Point land, which might incur a capital gains tax liability.\textsuperscript{273} There were more groups interested in the media assets. These included, Tony O'Reilly (who controlled HJ Heinz, Australian Provincial Newspapers and Ireland's Independent Newspapers), and a syndicate of Greek businessmen who were reported to have offered about $182m for the Melbourne, Adelaide and Brisbane stations, Kerry Stokes, John B.Fairfax, David Haynes (of Darling Down Television Ltd), and Robert Holmes à Court. ATN declined an ABC offer to take the 1992 Olympic Games off its hands.\textsuperscript{274} Minister for Transport and Communications Willis denied speculation that the Federal Government might relax the individual foreign investment limit of 15% of television licences.\textsuperscript{275}

\textsuperscript{268} One banker was reported to have said that 'Skase had no future executive role in the company. \textit{Age} 16/11/89:25; 17/11/89:19; 18/11/89:25. \textit{Australian} 16/11/89:1,13; 20/11/89:1. \textit{AFR} 16/11/89:1,2. \textit{SMH} 16/11/89:33.


\textsuperscript{270} \textit{Australian} 21/11/89:15.

\textsuperscript{271} \textit{Australian} 20/11/89:1,18. \textit{Sun-Herald} 19/11/89:3.

\textsuperscript{272} \textit{Australian} 20/11/89:18.


\textsuperscript{274} \textit{Age} 27/10/89:15.

The Australian Broadcasting Tribunal, which had the power to refuse to renew a television licence if it felt the owner could no longer meet its undertaking to provide ‘an adequate and comprehensive service’, reopened its hearing into Qintex's licence renewal.\(^{276}\) It ordered both Seven and Ten networks to provide detailed financial information by 1 December, and commissioned Deloitte Haskins & Sells to analyse it. It ordered that initial unaudited ABT-12s be 'followed-up' by audited accounts which it would release publicly when the hearings reopened.\(^{277}\) It requested daily reports after Campbell had assured it in October that the network had the financial capacity to provide and maintain an adequate service despite the parent company's problems. He said a future restructuring could assure the network's future independence from foreign control. He was reported to have said that the NCSC appeared to be satisfied over the $42m paid for 'management services'.\(^{278}\)

The Tribunal was concerned about QAL’s large foreign debt, and that creditors who exercised mortgage rights could breach the Broadcasting Act’s foreign ownership and control provisions. Ms O'Connor would not comment on a report that the Tribunal had indicated that Qintex's bankers could hold the television licences for a short period if they seized the assets.\(^{279}\) The Minister for Telecommunications Support, Ms Ros Kelly, denied any move on the government's part to abolish ownership and control limits.\(^{280}\)

On 20 November Skase pre-empted the debtor banks and applied to the Victorian Supreme Court for the appointment of a receiver to QAL and 27 of its

\(^{276}\) *Australian* 27/10/89:13. *SMH* 25/10/89:45.

\(^{277}\) ABT-12s were the tribunal's financial disclosure forms whose validity Seven had challenged earlier. *Australian* 17/11/89:14. *AFR* 17/11/89:5; 21/11/89:1,4.


subsidiaries.\textsuperscript{281} He nominated KPMG Peat Marwick Hungerfords as receiver-manager.\textsuperscript{282} On 21 November Mr Justice Cummins appointed David Crawford and John Allpass, of KPMG Peat Marwick and Hungerford, receivers and managers of QAL and 27 associated companies. They had the right to hire and fire staff, sell off assets and borrow money for the next six months. In taking charge of the assets the statutory receiver relieved the directors of possible contraventions of Section 556 of the Companies Code, which made it an offence to continue to incur debts if there were reasonable grounds to suspect that they could not be paid as and when they fell due. Directors could be held personally liable for any such debts.\textsuperscript{283}

The senior banking syndicate had agreed on 17 November that a receiver should be appointed for QAL only. They did not expect Skase to apply for the appointment of a receiver to all the companies named. The lenders did not in fact have security over QAL, and could not put a receiver into QAL. They held security charges over the material corporate entities, which were QAL subsidiaries: the companies which owned shares in the various television companies and units in Mirage Resorts Trust. The did not hold security against the actual assets of the Seven network and the Mirages. If the senior lenders had appointed receivers to those Qintex companies against which they held charges it may have precipitated a fire sale. Skase still hoped to retain the Seven network. The move was intended to protect the assets on behalf of all creditors and shareholders if assets were left after paying off the lenders.\textsuperscript{284} The banks could, if they wished, appoint another receiver which would take priority over the court appointed receiver-manager.\textsuperscript{285}

\textsuperscript{281} See footnote 3, this chapter.
\textsuperscript{283} \textit{Australian} 21/11/89:15.
\textsuperscript{284} \textit{Australian} 21/11/89:15.
Crawford needed more time to assess the Qintex group and file his statement.\textsuperscript{286} He indicated that he would maintain all Qintex business operations as going concerns while its assets were sold, with bank-funding until mid-1990.\textsuperscript{287} The priority of the first charge senior lenders over the second-charge junior lenders was limited to a specified amount of money. The court stipulated that the appointment was without prejudice to the right of any secured creditor to appoint a receiver or otherwise deal with any property over which it had security. The banks did not contest the court appointment but retained the right to exercise their security if they wished. Senior banking sources warned that unsecured creditors would probably receive less than 50c in the dollar, and shareholders were not likely to receive anything.\textsuperscript{288} He agreed that mismanagement contributed to the collapse, but said that he would need Skase's experience and expertise to assist in the asset sales.\textsuperscript{289}

Skase argued that voluntary receivership would protect existing arrangements, and benefit all creditors, not just the banks, and prevent the confusion that could arise if each bank acted independently. A scheme of arrangement would have taken forty-five days to organise and would have required the appointment of a receiver-manager. This did not preclude individual debtors from acting independently.\textsuperscript{290}

Qintex's unsecured creditors were ambivalent about the appointment of a receiver. Queensland Treasury Corp chairman, Jim Kennedy said he felt that the move left the QTC, with its $50m investment, in 'no man's land'. Other creditors

\textsuperscript{286} SMH 24/11/89:27.  
\textsuperscript{287} Australian 22/11/89:1.  
\textsuperscript{288} The usual procedure allowed secured creditors to merely issue a notice to the company. Australian 22/11/89:27,28.  
\textsuperscript{289} Australian 22/11/89:27,35.  Age 22/11/89:34.  
considered that Qintex's action would provide them better protection than liquidation or a forced receivership.291

The NCSC demanded comprehensive disclosure of all fees paid to QGMS since 1975. None of the figures for 1975-1987 were publicly available at that time, the figures for 1988-1989 are given above. Accounts were presented to QGMS, which then borrowed money from IPH Finance Pty Ltd to pay the account, QGMS then charged QAL that amount plus 20%, it would then repay IPH Finance and retain the 20%. That is QGMS borrowed money from Qintex to pay Qintex bills and then charged Qintex 20% for the service!292 Crawford said that the shareholders would meet to vote on the payment of $42m to QGMS. Skase said that he would not vote on the matter.293

The Broadcasting Act made no provision for receivership. The Tribunal wanted to keep the Seven network broadcasting but was uncertain about the legal position of the receiver and about possible debt generated foreign control. Crawford and Campbell met with the Tribunal and the senior syndicate. Campbell said that control was not an issue as the court, not the lenders, appointed the receiver, placing a shield between the senior lending syndicate and the companies within the group which held the television licences.294 The lenders held:

a charge over the shares of the companies (all proprietary) which owned the capital of the TV licence companies, and in some cases further up the chain. The lenders held security over shares of some of the companies in the chain, not their assets. ‘The appointment of the statutory receivers ... pre-empted any move by the banks to take control of their security within the TV ownership chain’.295

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292 *Australian* 22/11/89:27,35.

293 *Age* 22/11/89:29.


At that point Qintex Ltd was not in receivership. Its main asset was 53% of QAL, worth about $15m on QAL's last traded price of 16c. Its only source of income, QAL dividends, had ceased. Its debt facilities included $69.5m owed to Tricontinental Holdings (by then owned wholly by State Bank of Victoria), secured over 38m QAL shares, and $19m owed jointly to the Hong Kong Bank and State Bank of NSW secured over 46m shares and 3m preferences in QAL. It had two other facilities totalling $34m secured over television station SEQ8, which belonged to QAL.\footnote{AFR 27/11/89:23.}

Qintex's largest shareholder was Skase's Kahmea Investments Pty Ltd, but Kahmea’s ownership was obscured: Skase and Pixie held one share each, and 400 Lonsdale Nominees Pty Ltd, itself a trustee company, held another 8 shares.\footnote{AFR 27/11/89:23.}

Kahmea was estimated to owe the State Bank Victoria about $40-50m secured primarily over 67% holding in Qintex Ltd. Qintex Ltd owed about $100m to several banks including State Bank of Victoria, Hong Kong Bank, and State Bank of NSW. It also owed $49.8m to QAL.\footnote{AFR 27/11/89:23.}

At the end of the group’s final year the receivers were in charge and attempting to maximise the group’s assets. Crawford asked the syndicate for a further $40m working capital to see the group through until March, including the licence payments due in February. The media also suggested that other syndicate members were pressuring the State Bank of NSW, which held security against land at the Princeville Mirage (valued at $336m) to give them some of its surplus security. It was also suggested that Mitsui and Nippon Shinpan would consent only to a Japanese or US partner in the Mirages.\footnote{SMH 1/12/89:29.}
This chapter completes the rise and fall of the Qintex mirage. At the end of 1989 it was total disarray. It demonstrates that Skase could not even run fast enough ‘to stay in one place’. This chapter describes how Skase’s attempt to exploit ‘diminishing spatial barriers’, and to ‘run even faster’ as the Red Queen suggests, when he tried to join the global system and command a truly transnational company failed with the collapse of his ‘biggest deal ever’. Kerkorian outmanoeuvred Skase in the global arena. The takeover of MGM/UA had been necessary for the mirage’s survival, but its collapse also fractured his veil of corporate invisibility. This revealed the mirage’s dependence on ‘fictitious capital’, and its lack of proper financial foundation, which had been achieved with creative accounting. Skase typified the chief executive of Argenti’s ‘type 2’ collapsed company with his unsuccessful efforts to evade the limits set by broadcasting legislation.

The Commonwealth Bank’s exercise of its hegemonic power when it ‘pulled the plug’ on Qintex illustrates the banking system’s increasing autonomy, particularly with respect to the number of ‘new’ foreign banks exposed to Qintex. When Skase petitioned for bankruptcy he did so because the Commonwealth Bank was effectively controlling the mirage’s future. The public disclosure of payments to QGMS at the time the group collapsed began a process of labelling Skase and making him the scapegoat for the 1980s, which continued into the 1990s. The years that followed until Skase’s death in 2001 became a postmodern farce, which is analysed in the next chapter.

300 Harvey:295.
Chapter Eight
The Twelve Year Finale

The last stage of the Qintex mirage began with receivers/managers were appointed to QAL and 27 of its subsidiaries, and continued until Skase’s death in August 2001. It was a postmodern farce dominated by a state and media campaign to label Skase and make him the scapegoat for the corporate disasters of the 1980s and by Skase’s rather bizarre attempts to avoid any sort of responsibility. Skase’s behaviour punctuated the banks’ hegemonic control of QAL’s bankruptcy and the efforts of Skase’s trustee in bankruptcy, Max Donnelly, to demonstrate Skase’s ownership of assets, which he believed Skase had taken overseas, and to seize them.

In addition to QAL Skase and Qintex were involved in an four other bankruptcies or receiverships, each had its own receiver, and its own agenda: Lloyds Ships Holdings Pty Ltd in November 1989 (Ernie Harris and Wilson Wilde of Coopers and Lybrand), Qintex Group Management Services, Arbreau Ltd and Arbreau Finance Ltd in September 1990, Kahmea investments and Skase himself in June 1991, and Qintex Ltd in August 1990. Three receivers (for Lloyds, Kahmea and Skase) held court hearings with witnesses under oath.

This chapter illustrates with one case how the Australian state responded to the corporate collapses of the 1980s, which threatened its international reputation and its internal legitimacy. Corporate regulatory activity became public and visible, although it stressed individual behaviour and activities. The collapses were

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1 Re Lloyd’s Ships Holdings Pty Ltd: 10.
2 Following an application by QAL’s receivers for a debt owed by QGMS. At that time QGMS books and records were in the hands of the Queensland Corporate Affairs Commission. At that point Skase was the company’s only director, which gave it ‘statutory problems’. CM 7/9/90:23.
3 This followed legal actions by Charlton and Charlton to recover $447,000 in 3/90, and the US television production house Lorimar Telepictures Corp which joined the action in 7/90 demanding $US4.6m ($A5.56m). AFR 3/9/90:16.
4 Liquidators could apply to the Supreme Court for a public examination into the affairs of a company under Section 541 of the Companies Code, where fraud negligence to breach of duty on the part of directors or other
attributed to the individual behaviour of each one of a small number of new entrepreneurs who rose to prominence at that time. The Skase case was constructed as a ‘landmark narrative’ which effectively diverted attention from the macro political economy level and focussed attention on the micro individual level (see Chapter 3 pp99-105).

Skase established residence on the Spanish Island of Majorca. He appeared to have an affluent lifestyle, living in a luxurious house, with domestic staff, driving expensive cars and visiting expensive restaurants. His bizarre behaviour, his luxurious lifestyle, and Donnelly’s zealous pursuit of Skase’s assets enhanced the media campaign.

Skase had little control over the labelling or the public responses to it. The blaming process changed him from the unstable charismatic role of ‘the boy millionaire’ to that of ‘folk devil’. From Majorca, and during his infrequent short visits back to Australia over the next fourteen months, he attempted to manipulate the labelling process in McBarnet’s terms and ‘neutralise the possibility of stigma’.

The ‘setting’ and ‘front’ Skase created, however, contradicted his claims of innocence and poverty. His performance was designed to foster an image of innocence, and to conceal and conserve those assets he managed to remove from Australia, but his lifestyle challenged this. He blamed everyone but himself for the collapse, including socialists, communists, the Australian ‘socialist government’ which drove interest rates up to 23% and caused the 1989 airline pilots' strike, and the banks. He adopted his ‘own special code of behaviour’ and ‘ignored company officers was suspected or where it was thought that those people might be able to give information about the company’s affairs. CM 6/10/90:33.

7 SMH 27/5/91:4.
inconvenient rules’.\(^8\) He mocked the legal system with haphazard court appearances at his own convenience, while appearing to cooperate. Each non-appearance had a different (late) excuse including:\(^9\)

- In March 1990 - he had 'European flu' in London. He appeared in court a week later.
- In September 1990 his employer had threatened to end his contract if he did not complete important overseas negotiations.
- On 11 September 1990 two warrants were issued for his arrest in Brisbane. He returned to Australia briefly and promised to return again for ASC (NCSC) hearings.
- On February 1991 he had a bad back ‘in hospital for most of the week’. Another arrest order was issued and he returned to Australia later that month.
- In May 1991 he returned for a hearing in Southport Queensland when the ASC charged him with two offences, arrested him, placed him in a cell for two hours.
- In June 1991 he declared himself bankrupt. His passport was confiscated. Within 24 hours his trustee in bankruptcy, Pocock, accepted his guarantee to return and returned his passport. Skase left the country and never returned, but continued to excuse his absence.
- In September 1991 he had further back problems.
- In November 1991 he had more back problems.
- In December 1991 he began circulating stories about his lung problems.
- In February 1992 he was cleared to fly back to Australia in short trips or by sea.
- On 6 April 1992 his lawyer tendered a letter dated 31 March from his Swiss specialist which said that Skase was ‘presently in a (Swiss lung disease) clinic receiving treatment’, after admission on 23 March. There was some confusion however about his whereabouts or if he was actually in hospital.
- On 9 April 1992 his solicitor said Skase would not be able to fly even short distances before August.

Skase was apparently traumatised by two hours in a cell in May 1991 (considered below) and he never returned to Australia after he left in June 1991.

The definition and labelling of a scapegoat fulfils a deep social need to find the cause of problems and allocate blame. Scapegoating has a long historical and mythological background. It is a ‘phenomenon of ritual expulsion’ which ‘cleanses’ society of its ills. Scapegoats are the individuals or groups selected, without their consent, to expunge the guilt of a broader section of the community. The blame for actions and practices, which may be widespread in the community, is focussed on the scapegoat.\(^\text{10}\)

Skase’s stigmatisation and his construction as a scapegoat were media events. It was a long campaign, which began when the media drew public attention to the payments to QGMS. Skase’s attitude towards court attendance and general demeanour exacerbated the story as it continued. As they construct and promulgate the landmark narrative, all forms of media play a crucial role in the creation of a scandal.

The frequency of high profile collapses which followed the corporate extravagances of the 1980s could have been used to generate a moral panic. The media concentration on particular individuals averted that panic. Lull and Hinerman contend that scandals function as ‘postmodern morality plays’. They provide a postmodern arena for negotiation of ‘public morality’.\(^\text{11}\)

Scandals are not new to the media. Lull and Hinerman, however, argue that the ‘Murdochization’ of contemporary media has increased their prevalence.\(^\text{12}\)

‘Murdochization’ is a postmodern phenomenon in Harvey’s terms. The global


\(^{12}\) Lull, J. and Hinerman, S.:1.
gathering and dissemination of information have assumed increased importance as they created new global markets. The ‘packaging’ of stories for widespread appeal exploits the ‘intensified roles of commercial, technological, and organizational innovation’.\textsuperscript{13} Faster production technology and innovations in information technology compress time-space boundaries.\textsuperscript{14}

The creation of a scapegoat, or a scandal results from social interaction. That is, it is the public’s response as much as the act itself and the behaviour of the scapegoat, which creates a scandal. Not only is scandal based on ‘actions and events’ which contravene ‘values, norms, or moral codes’, but non-participants must be aware of, and disapprove of, them.\textsuperscript{15} The media lifts the veil of invisibility and brings them to general public awareness. Tomlinson argues that social responses to a public scandal include general community discourse and ‘moral reflection’, which may challenge or reinforce the common moral order.\textsuperscript{16}

The media reported NCSC chairman Henry Bosch’s voluble criticisms of Skase,\textsuperscript{17} and the possible impropriety of QGMS management fees which were not disclosed as directors’ income under clause 24 of Schedule 7 reporting requirements.\textsuperscript{18} Federal Attorney General Bowen said Bosch’s comments were inappropriate, as Skase was the subject of an NCSC investigation, and the comments ‘pre-empted legal action or investigations’. Mr Bowen had previously complained to the chairman of the joint Ministerial Council for Companies and Securities about similar pre-emptive statements.\textsuperscript{19}

\begin{enumerate}
\item Harvey: 147.
\item Harvey: 147, 240-242, 260-265.
\item Bosch employed publicity as a weapon against corporate deviance. (see Chapter 2)
\item \textit{Australian Business} 29/11/89:84.
\item \textit{SMH} 28/11/89:28.
\end{enumerate}
The Skase case diverted attention from broader social problems, and reinforced public acceptance that a particular individual had transgressed a moral code. Although Skase’s actions and activities were the primary source of news stories, the story was fuelled with the progress of QAL’s, and then other group companies’, receiverships.

QAL’s bankers dominated its receivership. Its receivers had to deal with the group’s complicated structure of subsidiary companies. Twenty-seven of QAL’s ninety-five subsidiaries were in receivership. Many were direct 100% owned subsidiaries, held in a ladder, descending from these subsidiaries, or from their subsidiaries, but QAL controlled only 51% of some subsidiary’s shares, and there was a few MRT outside shareholders.20

Fiscal 1989’s numerous corporate failures flooded the ‘buyers’ market’ with over $A10b in assets, including three commercial television networks.21 Media speculations about the realisable value of Qintex’s principal assets, ATN and the Mirage resorts, considered that ATN (with a $900+m book; value see table 8.1) might realise less than $300m.

The receivers ensured ATN’s continued functioning. They demonstrated it could maintain an adequate service with funding secured until mid-1990. They also established that, as the banks held security over the parent companies (see figure 8.1,

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21 Corporate failures more than doubled that year. Asian Finance 15/5/90:50-54.
22 SMH 22/2/90:2.
next page) not over those holding the licenses, its large foreign bank debt did not affect the licensee companies. Campbell resigned from QAL’s board, and joined the boards of the companies which owned the television licences. ATN reduced staff, froze salaries, and slashed capital. Campbell predicted profitability would increase with continued ratings and financial performance improvements. The receivers called for ‘expressions of interest’ in ATN, and appointed Wardley James Capel Corporate Finance to handle tenders.

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23 The meaning of this is unclear
24 SMH 19/12/89:4.
26 Campbell said that ATN would recoup the cost of the Barcelona Olympic games. It had sold over 50% of its advertising deals for them by April 1991, and had $70m to $80m committed in advertising revenue. This included four national and six State-based three year packages and six national and three State-based two year packages. Australian 20/11/90:2; 13/12/90:5. AFR 20/11/90:4. SMH 2/5/91:26. BRW 24/11/89:34,37.
In April 1990 Nippon Shinpan, after several months negotiation, paid $50m for QAL’s 51% of the Princeville resort, which needed $US73m to complete renovations. It assumed the existing $US115m debt on the Princeville Trust, plus construction company Kiewit Pacific’s $5m November 1989 progress payment. In May the banks were given $60m. Two months later Nippon Shinpan sold this 51% to Suntory Resorts, for an undisclosed amount.\(^\text{28}\)

The Australian resorts continued trading with a State Bank of South Australia $40m loan.\(^\text{29}\) Poor performance in 1989 undermined their realisable value.\(^\text{30}\) Lack of Australian interest in purchasing the resorts complemented Mitsui and Nippon Shinpan’s preference for an American or Japanese partner.\(^\text{31}\) A party of 70 people was flown to Port Douglas, to assess it prior to sale: their all expenses paid weekend coincided with a Super Skins golf tournament.\(^\text{32}\)

In December 1990 the receivers sold the Australian Mirage resorts to Nippon Shinpan for $148m cash, of which $25m was paid directly to Nippon Shinpan, towards the $86m owed it. MRT’s 28 independent unit holders approved the sale, to wind up the Trust and repay the banks.\(^\text{33}\) By January 1991 the receivers had removed almost $900m of debt and obligations from the group’s balance sheet including the proceeds from the resorts.\(^\text{34}\)

Skase attempted to ‘puff up’ asset values $1b above the receivers’ predicted shortfall. Directors’ reports on QAL and 5 of its subsidiaries lodged with the VCAC

\(^{30}\) Condominium sales undermined by a saturated property market exacerbated by record high interest rates as banks tightened up their commercial lending departments towards the end of 1989, blaming the potential cost of funds and the uncertain future of the market. People trying to sell property they could no longer afford further weakened the saturated market. The pilots’ strike had reduced occupancy rates (down to 40% at Port Douglas Mirage). *Weekend Australian* 25/11/89:3,4.
\(^{31}\) *Weekend Australian* 25/11/89:4, *SMH* 1/12/89:29
\(^{33}\) These independent unit holders had refused to accept the offer when QAL ‘took over’ MRT, and under the Trust deeds there was no compulsory acquisition. *AFR* 20/12/90:20.
\(^{34}\) *AFR* 31/1/91:29.
in February 1990, claimed that each would realise its book value. They claimed the companies in receivership had $2.177b assets including inter-company debt and predicted a $800m surplus: they predicted that Qintex Television Ltd assets would realise $1.15b plus $1.07b from unsecured creditors giving a $77.5m surplus. Allpass later contradicted this as many book values were insupportable, television assets were overvalued, and many inter-company loans unrealisable.

Inter-company debt riddled the group. A series of loans extended down from QAL to the various companies interposed between it and the subsidiaries, which held the television licenses, which were not in receivership. (See table 8.2, debtors marked with * were themselves creditors within the group)

<table>
<thead>
<tr>
<th>Company</th>
<th>Major Debtors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qintex Australia</td>
<td>IPH Queensland Pty Ltd ($324m), Universal Telecasters ($461m), *Qintex Television ($308m), Qintex Ltd ($94m), Arbreau Ltd (formerly QMH) ($15.36m).</td>
</tr>
<tr>
<td>Qintex Television</td>
<td>*Fifth Watusi ($690m), Australian Television Network Holdings Pty Ltd ($123m), and Coucal Pty Ltd ($46.8m).</td>
</tr>
<tr>
<td>Fifth Watusi</td>
<td>*Australian Television Network ($754m)</td>
</tr>
<tr>
<td>Australian Television Network</td>
<td>Amalgamated Television Services ($261m), Brisbane TV ($179m), and HSV-7 and TVW Enterprises (Smaller amounts).</td>
</tr>
</tbody>
</table>

The receivers sold the minor assets quickly, including the jet\(^{37}\) (for $US1.99m [$A2.4m]) and the vessel Mirage 111 whose ownership was contested between QAL’s receivers, who argued it belonged to Mirage Port Douglas, and Lloyds Ships

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37 This had previously belonged to the Shah of Iran.
provisional liquidators, who said it was never paid for and had been returned to Lloyds.\textsuperscript{38} ‘Investors’ bought 75% of the Brisbane Bears Australian Rules football club, which owed ANZ McGaughan $26m.\textsuperscript{39} The two hovercraft were sold (in 1992) for $4.8m (they cost $3.9m)\textsuperscript{40}

The Queensland regional stations, MVQ6 Mackay and SEQ8 Maryborough, were treated separately. Qintex had commissioned the Brisbane merchant bank Graham and Co\textsuperscript{41} to handle their sale, for a total of $70m (they cost $71m), who sent details to potential purchasers, but deferred any sale pending the receivers’ advice. Sydney businessman Sam Gazal’s media group Gosford Communication bought them in January 1992.\textsuperscript{42}

The Qintex group was now involved in several regulatory hearings, which the media reported widely. The NCSC continued investigations into the payment of QGMS management fees begun in October 1989, and Boesch continued to exploit publicity as a weapon. He refused, however, to discuss whether the NCSC had advised the receivers that Skase could be liable to return $60+m paid in fees since June 1987.\textsuperscript{43} The NCSC investigated possible breaches of Sections 123 and 124 of the Securities Industries Act, and possible share price manipulation in September and October 1989, taking sworn evidence from Qintex executives, financial institutions and McIntoshes. It was adjourned in November 1990, and resumed by the ASC in 1991.\textsuperscript{44}

\textsuperscript{38} \textit{CM} 10/1/90:1.
\textsuperscript{39} QAL had been the Brisbane Bears principal backer through Queensland Merchant Holdings. \textit{CM} 11/1/90:39; 12/1/90:42; 13/1/90:96.
\textsuperscript{40} They would have cost nearly $5.2m to build in 1992. \textit{CM} 4/4/92:11.
\textsuperscript{41} Grahams, which was 90% owned by Suncorp, had arranged a $52m capital raising for QAL in early 1989. \textit{SMH} 10/11/89:25.
\textsuperscript{43} \textit{CM} 29/1/90:2.27. \textit{SMH} 29/1/90:27.
\textsuperscript{44} \textit{CM} 7/2/91:21. \textit{SMH} 21/3/90:43.
In July 1991 the ASC charged Richard Capps, former Qintex treasurer, with two breaches of Section 129 of the Companies Code, concerning two separate amounts of $6.2m and $2.9m ($9.1m) which QAL paid Qintex Ltd in May 1989, to assist Qintex Ltd to buy QAL shares from the SFIT. Capps did not receive any money. He appeared in Court when required. He pleaded guilty to the charge involving $6.2m, and the ASC dropped the other charge. Mr Justice Skolen fined him $1500 but did not record a conviction saying Capps:

should not be made a scapegoat for the fall of the Qintex empire and actions which may or may not have been committed by others involved in it.

Lloyds liquidators’ hearing began in the Queensland Supreme Court before Judge Miller on 19 March 1990. Skase failed to appear when called as a witness, he had ‘European flu’ in London and would ‘return … when fit’. The day he appeared, 27 March, QCAC gained the power to question witnesses and access to all material, except for certain confidential agreements. The hearing exposed some of Qintex’s questionable activities including QMH’s peculiar ownership structure discussed earlier.

The QCAC investigated the Qintex group, and the QGMS management fees, over several months in 1990. This included loans to executives, general corporate conduct, and the validity of financial records. It questioned Qintex directors, and Rodney Adler about Qintex’s approaches to FAI.

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45 This forbids a company financing the purchase of shares in itself. A breach of this section carries a maximum penalty of $10,000 or two years' imprisonment or both.
46 CM 20/7/91:29. SMH 10/7/91:31.
47 He had failed in more than 70 job applications when it was discovered that he had worked for Qintex. He now worked as a private school teacher in the UK. He had returned from England to face the charge. Australian 2/2/93:37. CM 24/7/91:32; 2/2/93:10.
Unsecured creditors and non-syndicate creditors were relatively powerless under the senior syndicates’ hegemony. They took separate legal action. CIBC Australia Ltd withdrew an action to ‘wind up’ Qintex Television Ltd (ATN’s owner) and Wilkinson Television Ltd over a Qintex Television guaranteed loan to Wilkinson Television in December 1987, when the receivers agreed to notify it before selling those companies’ assets. Travinto Premises Pty Ltd, which subleased office space to QAL, applied unsuccessfully to have QGMS wound up, over unpaid October 1989 rent. The failed New Zealand bank DFC, owed $91m (unsecured), failed an application to ‘wind-up’ QAL in January 1991.

Following their investigations noted in Chapter 7, ANZ Executors and Trustee Co Ltd (ANZ Trustees), as trustees for QAL convertible note holders, issued under three trust deeds executed by QAL, which gave guarantees against its subsidiaries for the debt, obtained a judgement for $110m against QAL, but lost its action to recoup the debt from the subsidiaries. The subsidiaries argued the guarantees were given ‘improperly and were ultra vires … beyond the powers of the companies to give’. On ANZ Trustees’ appeal McPherson J, in the Full Court, ruled that QAL directors ‘could not be said to be acting in the interests of the subsidiaries’ and to exercise the guarantees would ‘impinge on the rights of other creditors’.

An Ernst and Young report, commissioned by ANZ Trustees, argued that Crawford had failed to assess ‘future budgets and cash flows’ to reasonably assess the group’s realisable value and ‘severely underestimated QAL’s capital needs’.

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50 This was a shelf company of the legal firm Blake Dawson Waldron, which also acted for the QAL receivers. CM 29/1/90:225. SMH 7/2/90: 43.
52 The investors, which included big institutions such as BHP’s Superannuation Fund and the South Australian SFIT, ranked as unsecured creditors. Two deeds were executed on 1 July 1988 and the third on 15 February 1989.
53 Company Director /2/91:6
They estimated QAL needed least $330m cash in 1990, including a $25m monthly interest bill.\textsuperscript{54}  
- $19.4m on $1.4b secured debt,
- $1.6m on $304m unsecured debt,
- $620,000 on a $30.2m debt held by QMH,
- $1.6m for the State Bank of South Australia, with respect to the sale of Marina Mirage to an off balance sheet company for $90m in December 1988,
- $1.7m on convertible notes.

The receivers won an action (and an appeal in October 1992) against the investment bank Schroders Australia Ltd to regain $1.377m which it held on account for Qintex Australia Finance Ltd. Schroders had applied the money to extinguish a loss sustained on a foreign exchange futures contract which it had claimed was made on behalf of Qintex Australia Finance but entered in its books in the name of Qintex Television Ltd.\textsuperscript{55}

QEI’s former executives, Jonathon Lloyd and Robert Halmi, blamed Skase, and his business style for its problems, without further explanation. Its major creditors were Security Pacific ($US35m secured over most of its assets except the pre-1988 Halmi film library), and Columbia Savings and Executive Life (which held half of the $US57m bonds invested in QEI). They would not allow the receivers to sell QAL’s 43% of QEI to US company SCS Communications Inc.\textsuperscript{56}

The Act defined television ownership as 50% . It limited foreign ownership to 20% (individual holdings of 15%). The receivers took advantage of the possibility that a consortium of foreign buyers with no direct control of the licence could circumvent the Act, and advertised the network for sale in London’s Financial Times in 1990, without mentioning restrictions.\textsuperscript{57}

\textsuperscript{54} SMH 6/12/89:45.  
Although powerful senior banks were unsuccessful when they and other parties lobbied for relaxed limits. Foreign banks, lacking local banks’ internal access to power, were more exposed to the television failures that the local banks. Before the 1990 Federal election the Government appeared ambivalent. On one hand Minister for Communications Willis announced, without consulting cabinet, that he would close the loophole over foreign television ownership in February with an ‘efficiency package of amendments’. On the other hand Prime Minister Hawke ‘viewed a minority shareholding … as … the appropriate maximum’, and appeared to be considering a 40% maximum. After the election Cabinet retained the limit. Sam Chisholm of 9 Network said Hawke had assured him before the election that Cabinet would permit 40% foreign ownership. The new Minister for Communications, Kim Beazley denied this and said Cabinet could not ‘bail out’ owners who had paid too much and that the two networks would now change hands at more reasonable prices. Kerry Packer bought the 9 Network back at a fraction of the price he had received for it.58

The receivers placed a $635m reserve on ATN, based on projected future earnings of $80m per year (a $65m net profit in 1991 and $125m in 1992). ATN had a higher audience share than its competitors the first period in 1990. Cash flow adjustments reduced the $71.1m operating profit to $14.7m in 1988.59 All offers (between $400m and $425m) fell well below the reserve,60 forcing the banks to reconsider their options which included restructuring ATN, taking it out of receivership, and trading debt for equity, which was a conflict of interest for banks

59 These included overseas programming costs of $149m ($64m previously expensed and $85m later payments), $7m to date in expected proceeds from the sale of television stations, $7m increased leasing interest, $12.8m depreciation, $15.8m other provisions and $23.8m capital expenditure. AFR 28/3/90:20. SMH 22/2/90:2.
60 Kerry Packer was reputed to have offered $225-250m. Australian 27/4/90:1. SMH 27/4/90:21,29.
exposed to both QAL and 10 Network. The large foreign bank debt was another complication, but the Federal Treasurer could allow higher foreign bank ownership. Crawford consulted Minister for Communications Beazley.

On the 24 August 1990 the Tasmanian Supreme court appointed Ian Ferrier liquidator of Qintex Ltd, after the public relations firm Charlton and Charlton sued to recover $447,000 in March 1990, and the US television production house Lorimar Telepictures Corp demanded $US4.6m ($A5.56m) in July 1990. Tricontinental, Qintex’s biggest creditor (owed $69m secured by QAL shares), opposed the action: it had demanded repayment in November 1989 and appointed an agent in possession on 28 June 1990. Qintex Ltd’s major investment was its QAL holding.

On the 7 September 1990 the Queensland Supreme court appointed Robert Burns and Peter Geroff provisional liquidators of QGMS, Arbreau Ltd (formerly QMH) and Arbreau Finance Ltd, after QAL’s receivers claimed a debt owed by QGMS. QGMS had $17.5m debts with paintings and furniture as assets. QCAC had its books and records. QGMS was a QAL sundry debtor owing $135,000 and an unsecured creditor owed $3.6m. Arbreau Finance was listed as a $15.4m debtor in Qintex inter-company loan accounts. Skase was the three companies’ only director.

QGMS books had a $3m discrepancy. Burns said QGMS operated basically as ‘a conduit through which the money flowed’. He told a creditors' meeting that between July 1986 and October 1989 Qintex paid QGMS $76m management fees. Expenses accounted for $36m. Unit-holders received $37m, leaving $3m. From

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63 AFR 3/9/90:16.
64 CM 7/9/90:23; 6/10/0:31.
June 1988 to October 1989 QGMS received $44m fees, with a surplus of $23.1m: of this
Kahmea, which held the majority of units, received $19.2m; other unit-holders shared $3.9m, which they called their Qintex salaries. Burns said the $3m could not be traced without the transcripts of the ASC’s private hearing into the collapse. He said the $3m was possibly never paid and did not imply that ‘someone had run off with the money’ - it was simply an accounting problem.

QGMS had $200,000 cash on hand. Its debts exceeded $15.5m, including intra-group loans and a large probable shortfall. Burns auctioned its assets (an art collection, antique furniture and fine silverware) in December 1990 for $530,000, well below their cost. One mystery buyer paid over $200,000 for 25 of the 140 items (appendix 6).

Two warrants were issued for Skase’s arrest on 11 September 1990, when he failed to appear in court. Judge Wylie issued a warrant in the Brisbane District Court for his non-appearance at the Lloyds hearing. He called court attendance a ‘public duty and not a private choice’. Master Horton in the Supreme Court issued a warrant when Skase failed to comply with orders to appear in the District court to give evidence at the QCAC inquiry. Skase's solicitor, Geoff Harley, did not know his exact whereabouts, he contacted Skase through his Brisbane secretary who had two fax numbers, Skase then telephoned him. He said Skase would return on 17 September.

Skase claimed he was acting as a consultant for Mirage resorts’ architect Des Brooks in Majorca. He established two companies, Halcyon Espana (registered on the Isle of Man secrecy and tax haven) and, Halcyon Mallorca (registered in Spain).

65 Plumbea (Peter Burden), Finplan (Geoff Putland), R&D Media (Bob Campbell), Tabart Maintenance and Tabart Management (John Tabart). SMH 23/5/91:31.
66 CM 22/5/91:33.
68 AFR 12/9/90:18.
He negotiated to buy property on Majorca for a golf resort, and put a deposit on a property called Raixa. He was supposedly meeting the chief executive of the Spanish Tourism Authority. The Authority confirmed that Skase sought to build a hotel and golf course, but it gave him neither an interview nor approvals. In fact, the Majorcan government placed a preservation order on Raixa and stopped the transaction. The media later discovered that Skase controlled 96% of the negotiating company, and this was Skase’s first failed business venture on Majorca. He had neither sound local knowledge nor reliable local contacts.69

Des Brooks paid $375,000 and $127,999 into Skase’s account with the Austrian bank Oosterische Bundesbank in August 1990 and February 1991. This covered a $290,000 personal loan to Skase (never repaid) and a consultancy salary of $19,000 per month plus expenses. A second contract from April to June 1991 (when his employment ended) paid Skase $8,900 a month from the residual amount. Brooks’s firm paid several of Skase’s Australian costs.70 The Austrian bank would never release any details of Skase’s accounts to Donnelly, so he could never verify the amounts of money, which Skase passed through it.71

Lawrence Van Der Plaat, the friend of Skase’s stepdaughter who had been with him in Spain accompanied to him Brisbane (first class) on 16 September. He was met by media, which he evaded, his lawyer, and Peter Sawyer.72 When Van Der Plaat later claimed to have been involved in the Halcyon negotiations, Skase described him as a ‘gopher’, but a Majorcan real estate agent reported dealings with him acting for Skase.73

On 17 September 1990 Skase was charged with assault of a Sunday Mail photographer and wilful damage after an incident on 29 December 1989. He appeared in the Southport magistrate’s court on 21 September and was remanded on

70 AFR 19/9/91:5. CM 19/9/91:1,2.
71 Anonymous 1.
72 Australian 12/9/90:2. AFR 12/9/90: 18. CM 12/9/90:1
bail on his own undertaking to appear again in February 1991. The court issued a warrant for his arrest when a ‘bad back’ prevented his appearance. His barrister said that he was in a Spanish hospital with back problems. A medical certificate produced on 6 March said Skase had a disc protrusion and might need surgery. Journalists could not find him in any hospital. 74

On 17 September 1990 the NCSC summoned Skase to its private inquiry into the collapse and QGMS fees. Two days later it asked the Queensland Supreme court to stop Skase leaving the country without consent and to impound his passport. Skase agreed to return in late October. A closed hearing in the Brisbane magistrate’s court ordered Skase to produce Kahmea records, particularly relating to QGMS and Kodogo.75

Skase left Brisbane again on 22 September 1990. He shipped three container loads of personal effects, including expensive cars, valued above $2m. Many were later believed to be in Majorca. Skase’s security chief Bill Jones supervised the nighttime removal of furniture, which Pixie Skase had marked. At Port Douglas a semi-trailer went over the beach to collect the furniture and left at 1.00am.76

In January 1991 Skase officially resigned as QAL chairman, claiming that the receivers had not reduced the company’s debt significantly.

[T]he costs of receiverships and interest on essentially unaltered debt levels (had) effectively evaporated the prospects of any financial return to all except the senior secured lenders.77

Allpass said it was ‘misleading and factually incorrect’ to claim that QAL

75 AFR 19/9/90:18.
77 AFR 11/1/91:5.
shareholders funds had exceeded $1b in July 1989: if true QAL would not be in receivership.

Skase still denied responsibility: he condemned ‘the communists and socialists within Australia (who were) rejoicing in the destruction of the so-called entrepreneurs’, who made Australia’s future was ‘a frightening prospect for young and old’. He claimed his family had lost over $100m in the collapse.\(^78\)

The banks and the receivers manufactured a scheme to circumvent the ownership and control parameters of the Broadcasting Act. Crawford, without specifying details, officially informed the Broadcasting Tribunal, in March 1991, that the banks had rejected all offers for the Network. Foreign banks consulted their head offices.\(^79\) The scheme:

\[
\ldots\text{proposed that those banks capable (Australian ones without broadcasting cross ownership problems) take equity in the network, which would be operated by present management under an independent board. The foreign banks and the Commonwealth were to take equity in another company whose sole purpose was to lend money to Seven and to collect interest from the network.}\(^80\)
\]

The Tribunal and Communications Minister Beazley monitored the situation for breaches of the Act.\(^81\) The Tribunal’s chairman criticised the banks for not meeting financial requirements, with ‘time-lines that (were) never adhered to and unrealised deadlines for completion of the Seven restructure’. It allowed ATN a year to reduce its audience reach in May 1990.\(^82\) It reopened the licence hearing, examined loan documents and traced the path of control to determine ATN’s

\(^{78}\) \textit{AFR} 11/1/91:5.  
\(^{79}\) \textit{Australian} 22/2/91:24,21. \textit{SMH} 23/5/91:30.  
\(^{80}\) \textit{SMH} 21/3/91:32.  
\(^{81}\) Senator John Button, then Federal Industry Minister identified the Australian Broadcasting Tribunal as a public enterprise established ‘to regulate private enterprise in circumstances in which there is a high level of public interest’ Head, B. (1991) ‘Regulation and deregulation’ in \textit{Deregulation or Better Regulation?} Brian Head and Elaine McCoy (eds) (1991) Melbourne: Macmillan:5.  
\(^{82}\) The 60% limit was breached when Qintex bought the Adelaide and Perth stations from Holmes à Court in 1988. There was a maximum penalty of $10,000 for each day the limit was breached.
financial capability and foreign ownership levels. It examined the document which crystallised the structure, and gave the banks until 3 June to take control.\(^{83}\)

In June 1991 the receivers ‘sold’ ATN to a holding company Television Holdings Ltd (THL) consisting of its bankers and a group of investors, for about $485m.\(^{84}\) This was intended to protect the remaining $825m debt ($625m senior debt and $200m unsecured debt), and to comply with the Act. THL would own the television licences, and owe the debt to a separate company, avoiding a debt for equity swap. The banks held 30% of THL, with access to future capital developments, the remaining investors included several company executives, Campbell\(^{85}\) was CEO. Full details released in September 1991 indicated that the debt was ‘tiered’ so that the loans were serviceable from the network’s current earnings, with each tier at a different interest rate.\(^{86}\) The Federal Government was believed to support the restructuring but, insisted that it comply with ownership and control rules.\(^{87}\)

The media jostled Skase at the airport when he returned to face assault charges in the Southport Magistrates court in May 1991. A summons to appear at another hearing was lodged on his car windscreen as he tried to avoid its service.

On 27 May the ASC, arrested him at the Southport courthouse, and charged him with two breaches of the corporate law and the misuse of $19m as Qintex.


\(^{84}\) This figure was about eight times earnings calculated at $50-60m for 1990-91 before interest and tax. *Age* 1/6/91:23. *Weekend Australian* 1-2/6/91:41. *SMH* 1/6/91:31.

\(^{85}\) This acknowledged his contribution to Seven’s ratings success against Nine in the 1990/91 season. Under his management the 7 Network had improved profitability from the time Skase bought it, with its profit forecasts attaining a position of commercial viability after eighteen months of receivership. *AFR* 6/6/1:60. *CM Mail* 27/7/91:30.


chairman, under Section 229 (4) of the Companies (Queensland) Code. The charges alleged

improper use of his position as a director of Qintex Australia Ltd, when he was chairman, to obtain $19,312,906.36 for himself or his personal company Kahmea Investments between 30 June 1988 and 1 November 1989.\(^{89}\)

One charge related to personal gain and the other to the Kahmea’s gain. Ms Cath Barker for the Commonwealth DPP told the court that Qintex subsidiary IPH Finance Pty Ltd allegedly distributed the payments to QGMS.\(^{90}\) Skase was locked in a cell for two hours until he was granted bail of $100,000, against his father-in-law Keith Dixon’s house as security. He reputedly found this detention so traumatic he vowed never to be in that position again.\(^{91}\)

That day the ASC successfully applied, ex parte, to make Skase surrender his passport to Federal authorities for 36 hours, pending a hearing in Brisbane. It did this partly to support ‘several (unnamed)large creditors’ who had judgements against Skase for debts, and ‘needed (him) ... in Australia ... to enforce the court orders’.\(^{92}\)

On 13 June 1991, the day he was to appear at a CJC inquiry into former Gold Coast Mayor Dennis Pie, Skase declared himself bankrupt. Neville Pocock of Bentley's chartered accountants, was appointed Skase’s trustee.\(^ {93}\) He planned to call a meeting of creditors after completing initial inquiries. Skase surrendered his passport.\(^{94}\)

Skase had debts of about $170m (table 8.3) and assets of $6,000 discounting, a $40m claim against Qintex (table 8.4). He blamed increases in Australian interest rates, the 1989 airline dispute, and changing federal government policy on foreign exchanges for his problems.

\(^{88}\) Section 229 is a provision which sets out the duties owed by directors to companies and creditors.


investment.\textsuperscript{95} Most of his debt arose from personal guarantees to banks for loans to Kahmea and other companies, their interest and costs. This suspended all debt-related civil actions against him, including those started by Wardley Australia, the State Bank of NSW, and Tricontinental.

<table>
<thead>
<tr>
<th>Name of creditor</th>
<th>Nature of debt</th>
<th>Amount owed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tricontinental Corporation</td>
<td>Loan guarantee</td>
<td>$66,462,358 plus interest and costs</td>
</tr>
<tr>
<td>Wardley Australia Ltd, and State Bank of NSW</td>
<td>Loan guarantee</td>
<td>$20,800,743 plus interest and costs</td>
</tr>
<tr>
<td>Australian Taxation Office</td>
<td>Taxation liabilities</td>
<td>$917,862</td>
</tr>
<tr>
<td>ANZ Banking Group Ltd</td>
<td>Loan guarantee</td>
<td>$1,477,926 principal plus $115,012 interest and costs</td>
</tr>
<tr>
<td>Nippon Shinpan Co Ltd</td>
<td>Monies owing under written agreement</td>
<td>$82,615,785 Plus interest and costs. \textit{(Sunday Mail says $8.7m}\textsuperscript{97})</td>
</tr>
<tr>
<td>Pannell Kerr Forster</td>
<td>Accounting Fees</td>
<td>$10,000 approx.</td>
</tr>
<tr>
<td>Barker Gosling</td>
<td>Legal fees</td>
<td>$3,400 approx.</td>
</tr>
<tr>
<td>Feez Ruthning</td>
<td>Legal Fees</td>
<td>Amount unknown</td>
</tr>
<tr>
<td>Henderson Trout</td>
<td>Legal Fees</td>
<td>$170,000</td>
</tr>
<tr>
<td>Watkins Pacific</td>
<td>In relation to the construction of Skase's Brisbane home</td>
<td>$364,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$173m+</td>
</tr>
</tbody>
</table>

Table 8.4 Skase's acknowledged assets

<table>
<thead>
<tr>
<th>Clothing, books</th>
<th>$5,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td>$1,000</td>
</tr>
<tr>
<td>Cash in bank</td>
<td>$167</td>
</tr>
<tr>
<td>Claim on Qintex</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$40,006,167</td>
</tr>
</tbody>
</table>

Wardley and the State Bank of NSW obtained a judgement against Skase on 8 January 1991. They served a bankruptcy notice on him at the beginning of June 1991, intending to examine his interests in joint ventures, trusts, partnerships and

\textsuperscript{93} He was also the trustee for the bankrupt Brisbane Bears football club which Qintex had supported.

\textsuperscript{94} \textit{Australian} 15/6/91:3. \textit{CM} 15/6/91:1.2. \textit{Times} 15/6/91:27.

\textsuperscript{95} \textit{Australian} 15/6/91:3. \textit{CM} 15/6/91:1.2. \textit{Times} 15/6/91:27.

\textsuperscript{96} \textit{CM} 15/6/91:2

\textsuperscript{97} \textit{SM} 16/6/91:2. See also \textit{SMH} 22/6/91:32. See also \textit{BRW} 20/9/91:21
shares. Skase appealed the judgment relating to the debt owed to Wardley and the State Bank of NSW, on the grounds that:

- The guarantee was limited and only to operate for 30 days.
- There was no contractual enforcement as Skase's obligation no longer existed at the time the creditors demanded repayment.
- The guarantee was obtained under duress.
- The summons to attend court was not properly served on him: it was placed on a car windscreen when he arrived at Brisbane airport.

Justice Rogers noting internal inconsistencies in Skase's propositions, said ‘sceptics might think that Skase was doing his level best to avoid service’. The hearing was set for June 14.\(^98\)

Skase and his wife gave Tricontinental unconditional joint and several guarantees in October 1982 for all loans to Kahmea. It demanded repayment of $52.56m plus $13.9m interest for three loans between October 1986 and March 1989, and sued them in February 1991. Skase said 99% of Kahmea's $12m share of the QGMS management fees paid interest on its debts. Skase in fact received overall about $32m in management fees from QGMS, and paid about $25m to $26m in interest charges to Tricontinental, which allowed Johns to claim that the loans were actively serviced. Donnelly later hunted for the difference ($6m to $7m).\(^99\) In August 1991 Tricontinental obtained a judgement against Pixie Skase in absentia for $76.9m plus costs, and intended to petition for her bankruptcy.\(^100\)

In December 1990 ANZ Bank sued Skase and his wife, and Kahmea, and Lampton Pty Ltd, for $1.5m owed on an account overdraft, which attracted $750 interest per day. On 17 June 1991 ANZ obtained a judgement of $1.5m against Pixie Skase (because Skase was bankrupt) over personal guaranteed loans for construction.


\(^{99}\) Anonymous 1.

\(^{100}\) *Sunday Age* 2/6/91: Money1. *SM* 1/9/91:1
of their Brisbane house, which had been sold for $4.22m in 1990. The Watkins Pacific debt (table 8.3) suggests that part of the loan was diverted.  

Despite his low bank balance Skase lived well in Majorca, and made several (first class) return trips to Australia. He visited Japan in July, when he would not return to Australia, and stayed at Tokyo’s most exclusive and expensive hotel. He visited Pebble Beach California. He lived on a $US2m ($A2.58m) estate La Noria in Puerto de Andraitx in Majorca, possible co-owned or rented by a stepdaughter.

One mysterious asset was a house at 82 Chesson Rd Fulham, London, allegedly owned by Kahmea Investments, transferred to Skase’s step-daughter Alexandra Frew, and then to a mystery company Karess Pty Ltd. There were no records of Karess. It could not be traced in UK. Kahmea sold the house on 20 May 1990. It was sold to Karess on 25 August 1990. Skase used it as a London address when he became a director of Halcyon Espana Ltd on 13 August 1990. A company search of Halcyon, showed Skase as residing in London at either 62 or 82 Chesson Road, West Kensington. The press found that 82 was occupied by a City commodities broker, who claimed to have bought it in 1989 from an English family, and 62 was occupied by an English couple who had bought it in 1990 from a long-resident Turkish family. They had some recollection of some official-looking mail late in 1990 addressed to Skase.  

Skase’s bankruptcy trustee, Pocock, returned his passport because he ‘had met all conditions and undertakings and required to resume work in Spain to achieve his only current source of income’. Skase solicitors confirmed he would return for a
creditors’ meeting on 4 September. Federal police watched powerlessly as Skase flew out of Brisbane (economy) without indicating who paid the fare.  

Skase defeated a move by his major creditors to replace Pocock as trustee, on 3 July 1991. Twenty-two people, representing less than $83,000 debt defeated the motion to replace Pocock, against eight parties representing $120m of the $170m debt. The Act required the support of a minimum of 75% of the debt’s value and over 50% of the creditors to remove a trustee. A Sydney solicitor held the proxies of 22 people organised by Skase. Seven other proxies were disallowed. Skase and his supporters took this action without Pocock’s knowledge. The number of small creditors surprised Skase’s personal accountant who ‘paid all those sorts of personal bills’ and thought he had paid them all.

The major bank creditors agreed to pay Pocock’s fee up to 3 July ($24,440), but were concerned because Skase left the country before his business interests were examined. They refused to fund Pocock further, but indicated that they would give another trustee $100,000. Pocock resigned as trustee on 24 July. He said that Skase had recently told him about a $A500,000 ($US400,000) trust account in the US, which was considerably more than Skase had previously admitted owning.

Max Donnelly and Desmond Knight, of Ferrier Hodgson, were appointed co-trustees of Skase’s bankrupt estate on 2 August 1991. Minor creditors did not attend that meeting. Knight resigned in September because of escalating costs and creditors established a committee to help Donnelly. Donnelly became fanatical in his pursuit of Skase and his assets. His comprehensive investigation of Skase’s financial status, included intra-family asset movements. He began moves to recover the $A500,000 held in USA. This was in fact the deposit on a house that Skase had

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103 AFR 16/6/91:3; SM 16/6/91:1.
bought in Bel Air, about 30 kilometers from Hollywood. The house was sold for less than Skase paid and the deposit was lost.\textsuperscript{106} He intended to confiscate Skase’s passport if he returned to Australia. He pressured Skase for updated financial records promised by his London lawyers on his instructions before August, but which never came.\textsuperscript{107}

The MGM/UA fiasco ended when the Victorian Supreme Court approved a $US30m judgement in favour of MGM-Pathe (formerly MGM/UA) to cover both the unpaid $US50m letter of credit, and a 1988 agreement to pay MGM/UA Telecommunications $US20m for US television rights. MGM-Pathe had no advantage over other QAL creditors. Californian attorneys recommended settling the claims because defence needed Skase’s evidence and

\begin{quote}
... the receivers and their advisers have encountered considerable difficulties in contacting Mr Skase and several other executives in securing their cooperation in the preparation of the proceedings for trial.\textsuperscript{108}
\end{quote}

MGM-Pathe could not call up the debt during the term of the receivership.\textsuperscript{109}

On 30 July 1991 the Victorian Supreme Court approved THL’s purchase of ATN which effectively ended its receivership. The Tribunal formally approved the sale in June 1992, as the arrangements conformed with the Act's ownership and control provisions.\textsuperscript{110} THL had an issued capital value of $10,000. Four directors\textsuperscript{111} held 60% of the equity (1500 each shares at $1/share); the staff superannuation fund held 10% and six senior banks (State Bank of NSW, Hong

\begin{thebibliography}{111}
\footnotesize
\item Anonymous I
\item They directors were: Ivan Deveson (former Nissan chief executive), Peter Ritchie (McDonalds Australia chief executive), Michael Robinson (Melbourne lawyer), and Bob Campbell (Seven managing director).
\end{thebibliography}
Kong Bank, ANZ, Chase AMP, Bank America, and Société Générale Australia) held 30% (3,000 shares), circumventing foreign ownership limits.\footnote{CM \ 3/9/91:24.}

THL had $243m debt, ATN owed $250m, and another $470m was converted into CRUSTs (Contingent Residual Undated Subordinated Tranches). The CRUSTs, invented by the banks for the purpose, were not called debt. Any amount exceeding the senior debt from a future sale or public float would flow to the CRUSTs, which were owed to the banking syndicate. The senior debt and the CRUSTs totalled $963m.\footnote{CM \ 3/9/91:24.} The CRUSTs would lapse if a sale did not raise that amount. The debt, which ranked first for repayment from cash flow, was serviced from ATN’s operational profit.\footnote{CM \ 3/9/91:24.}

Skase, who claimed to represent the interests of unsecured lenders, note holders, preference shareholders and shareholders, objected to the restructuring, which he called ‘tantamount to giving economic control … to the senior banks’. He labelled it

\begin{quote}

a commercial charade to circumvent the law and to deprive … (those he claimed to represent) of their rightful economic interest.\footnote{AFR \ 31/10/91:24; 30/10/91:8.}
\end{quote}

Bankers called his claims of collusion with the receivers ‘offensive’.\footnote{AFR \ 31/10/91:24;} The restructure, however, addressed equity problems and avoided the Act’s restrictions; it separated the banks from control.\footnote{AFR \ 30/10/91:8.} The television companies had more money than anticipated, and could have repaid part of the loan principal, but directors wanted to retain this. The banks would receive some of the $473m subordinated

\begin{footnotes}
\item[112] CM \ 3/9/91:24.
\item[113] CM \ 3/9/91:24.
\item[114] CM \ 3/9/91:24.
\item[115] AFR \ 31/10/91:24; 30/10/91:8.
\item[116] AFR \ 30/10/91:8.
\end{footnotes}
debt if ATN were later sold at a profit. In September 1991 ATN reported a record $70m full year profit before interest, abnormals and tax.

Skase monitored his Australian media coverage with ‘numerous faxes’ from Peter Sawyer. He claimed that ‘pressure of work commitments’ precluded his return to Australia for the September 1991 public examination into his affairs; but did not say what work. Brooks no longer employed him. He said he would provide personal financial records, but never did. He demanded ‘satisfactory answers’ to a number of issues before returning to Australia; including the date, scope and duration of the hearing. He agreed to return to meet creditors if given advance notice of the agenda. He accused his trustees of ‘the deliberate communication of disinformation’, by making untrue statements about his financial status and intention to remain overseas. The trustees planned no meeting; the law required Skase’s return.

The trustees’ public inquiry into Skase’s bankruptcy opened in the Brisbane Federal Court before Deputy District Registrar Bob Allan on 26 August 1991. Skase had agreed to return on 4 September and was to be examined five days later. Skase’s father-in-law, Keith Dixon, described two bank accounts for $1.75m opened on Skase’s instruction.

- the KK Dixon Cash Management Account opened in July 1989 at Westpac Nerang (in the Gold Coast hinterland), with a $950,00 cheque from accountant Pannell Kerr Forster, possibly from Kahmea Investments,

- an account in the names of Skase’s four stepdaughters opened with about $800,000 in January 1990 at NAB Nerang, which he operated as trustee; he could not remember where the money came from.

118 AFR 30/10/91:8. 119 The figure was a $10m improvement on the previous year. CM 29/9/92:28. 120 AFR 28/8/91:3. CM 28/8/91:1. 121 CM 29/8/91:5. SMH 29/8/91:23. 122 A NAB account was opened in Southport on the Gold Coast on 29/12/89 in the names of the four girls with a deposit of $250. Three weeks later (on 19/1/90) a cheque for $961,391 arrived from the Brisbane solicitors Feez Ruthning, as payment for antiques allegedly pledged to the women by Skase and their mother, which he
Dixon made various payments from these accounts on Skase’s instruction until they were exhausted and closed in December 1990. This included $1.1m transferred to Alexandra Frew’s National Westminster Bank account in the UK. Skase rang him periodically with instructions. He had forgotten details, but Skase had several $5,000 cash cheques for housekeeping.\textsuperscript{123}

Skase stored seven boxes of documents and two filing cabinets at Dixon’s house, which were removed by carrier to an unknown destination. Dixon had no idea of their contents. Dixon became a director in 1991 to sell the condominium, but knew nothing of its financial affairs. He had signed a form saying that Skase owed Kahmea $5.94m unaware of its veracity. He said he was ‘somewhat fed up’ at being involved in the proxy voting arrangements at the creditors’ meeting.\textsuperscript{124}

Skase was now recalcitrant and uncooperative. He

conducted himself in a way designed to give the appearance of willingness to attend for public examination in his bankruptcy when, in truth, he had no such intention.\textsuperscript{125}

He evaded the issues of warrants for his arrest. He failed to return as agreed.

Donnelly had a protracted, well-publicised, correspondence with his London solicitors, who would not confirm if, or when, Skase was returning. Skase continually demanded additional information and assurances. One letter, dated 6 September affirmed that Skase was willing to travel to Australia on 4 September.

Donnelly offered an economy return fare to Australia, and changed his examination to later in September.

\textsuperscript{123}Australian 27/8/91:17. AFR 27/8/91:3
\textsuperscript{124}Australian 27/8/91:17. AFR 27/8/91:3
Skase made his health an issue, but ensured that Donnelly could not test medical evidence. On 9 September he claimed a fall had aggravated a previous spinal condition and precluded long distance travel. Donnelly was refused access to medical reports. Skase employed a Brisbane solicitor without notifying Donnelly who filed a certificate from a Majorcan medical practitioner with the Registrar on 11 November. This referred to Skase's back and an asthma attack. Skase refused to supply x-rays for independent assessment. A Swiss lung specialist who examined Skase in November and December called his lung condition serious and prohibited long distance air travel before March 1992. Despite his bad back and lungs Skase gardened at La Noria in September, but Tony Larkins said that his condition was deteriorating.

There were numerous actions against Skase for non-attendance in court. The Federal Court issued a summons against him on 24 September, and the Queensland Registrar summoned him to attend on 11 November (extended by medical certificate to 3 December). Magistrate John Smith in the Brisbane Magistrates Court ordered Skase to return to Australia to face ASC charges. On 4 September 1992 Justice Drummond in the Federal Court refused to issue a warrant for his arrest on bankruptcy charges because it was unenforceable outside Australia.

Skase responded to the pressure by blaming all and sundry. He called himself ‘the victim of a politically motivated witch-hunt orchestrated by the Federal socialist government’. He accepted ‘partial blame’ for the collapse, but blamed most on Prime Minister Hawke, TNT boss Sir Peter Abeles and News Corporation chief

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126 Drummond J (1992)
127 AFR 19/9/91:5. CM 7/9/91:35; 19/9/91:1.2.
129 Drummond J (1992)
Rupert Murdoch. The media did not give reasons for blaming Abeles and Murdoch, but it was possible that he blamed Abeles for the pilots’ strike and Murdoch for the MGM failure, and Hawke was seen as their friend and supporter. He would not live in Australia while ‘socialists’ controlled most State and Federal governments. Apparently he preferred to live under the more definitely socialist Spanish regime.\(^{130}\)

He attacked Donnelly’s use of publicity, and accused him and bank creditors of acting against his and small creditors’ interests.

Most media reports stressed Skase’s apparently luxurious lifestyle and expensive house and the media was openly sceptical about whether Skase would return to Australia, and his various excuses. Headings such as ‘Won’t you come home, Chris Skase?’ led into articles, which featured Skase’s refusal to return to Australia. One account follows the comment that ‘[p]rospects are ... much brighter for crooks’ with two paragraphs about Skase.\(^{131}\) The heading ‘Skase takes a trip down Spanish steps’,\(^{132}\) rather facetiously introduced a report about a back injury which stopped his court attendance on 11 November 1991. A fortnight later another newspaper raised doubts about the reliability of his back injury when it described Skase driving ‘like a madman’ over bumpy roads without apparent discomfort.

Some images were contradictory, suggesting that to some extent Skase was behaving erratically. Skase appeared to be paranoid when he was described as reclusive, with few friends, and a minder, staying inside unable to use his swimming pool or tennis court because he might be seen;\(^{133}\) other reports described his Majorcan ‘high life’ behind a newly built high fence and ‘dining out with friends’\(^{134}\).

Amid the publicity surrounding the case, the Federal parliament passed the ‘Skase amendments’, the Bankruptcy Amendment Bill of 1991, on 19 December 1991. These were designed to stop bankrupts like Skase from evading their

\(^{130}\) CM 29/11/91:3.
\(^{131}\) CM 7/4/93:8.
\(^{132}\) AFR 12/11/91:1
\(^{133}\) SM 24/11/91:1,3.
\(^{134}\) SMH 30/11/91:40. Sunday Age 6/10/91:1-2.
liabilities, and force them to repay their debts from earnings. They expanded the
definition of income to include non-cash benefits such as cars and accommodation,
and set thresholds (then $23,000 without dependents) based on 3½ times the
maximum pension rate: 50% of earnings above that were deemed to belong to
creditors. Bankrupts must declare their income. The new Act also contained
grounds for extending the period of bankruptcy from three years to eight years,
giving trustees of bankrupts like Skase the option to begin that eight years on the
date of return to Australia. Grounds for extension include:

- Failure to return to Australia,
- Failure to disclose any particulars of income or expected income
  (Skase was reticent about his ‘income’ from Des Brooks),
- Failure to adequately explain the purpose for which money was spent
during bankruptcy and in the five preceding years,
- Disposal of property in five preceding years without adequate
  explanation to the trustee why no money was received in exchange
  or what the bankrupt did with the money (the movements of Skase
cars and money through secret bank accounts),
- Failure to disclose a liability which existed at the time of bankruptcy,
- Failure to notify the trustee of a change of name or address (not even
  Skase's lawyer had his address at one point),
- Failure to attend a meeting of creditors, interview or examination
  without reasonable explanation,
- Failure, with or without intent, to disclose to a trustee a beneficial
  interest in any property (Skase did not reveal $500,000 in USA).

The amendments limited access to passports and overseas travel.

Tricontinental began action to bankrupt Pixie Skase, and lodged a judgement
in the Queensland Supreme Court on 22 January 1992. The Victorian Supreme

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135 SM 19/1/92:26.
136 CM 20/1/92:8; CM 22/6/92:34. SM 19/1/92:26.
Court ordered her to repay Tricontinental $76.88m for its loans to Kahmea, following a judgement against her in August 1991.\footnote{AFR 23/1/92:5. CM 23/1/92:2.} 

Skase's solicitors filed an application to the Federal Court to have a reporter jailed for contempt of court, following an article in the \textit{Sunday Sun} entitled ‘Skase fit to travel’, which they argued was ‘calculated’ and prejudicial.\footnote{CM 7/2/92:27.} Mr Justice Cooper ordered Skase to pay $8000 to the court within a month, to cover costs if he lost the case, after Sun newspapers argued that Skase had demonstrated a complete disregard for court proceedings. The case lapsed because Skase did not make the payment, he did not supply an address, and his lawyer failed to appear in court.\footnote{CM 7/2/92:27.}

The taxation department started several actions against the group. Qintex Ltd was fined $2,400 in the Brisbane Magistrates Court for not lodging tax returns in 1988-89 and 1989-90.\footnote{CM 14/2/92:27.} It sued Kahmea in the Brisbane Supreme Court for $6,730,636 owed in taxes and late payments for 1988-89 and 1989-90.\footnote{CM 13/5/92:17; 1/8/92:5.} On 11 March Master Margaret White, in the Brisbane Supreme Court, appointed Pat Finnimore and Alan Taylor, of Horwath and Horwath, liquidators of Kahmea.\footnote{CM 15/2/92:7.}

The next day Master White appointed Allpass and Crawford liquidators of Qintex Television, Wilkinsons Television Pty, Universal Telecasters Equities, Wilco Marketing North, Wilkinson Day and Grimes, IPH Queensland, and Yadobi. The companies had been dormant since November 1989, and without directors since Skase resigned in November 1990.\footnote{Australian 12/3/92:25. SMH 12/3/92:39.}

Skase’s Brisbane solicitor Kenny and Loel, giving no reason, said in May 1992 that they no longer acted for Skase. Donnelly, however, said that Skase had not paid them (tens of thousands of dollars).\footnote{AFR 13/3/92:24.} Charges still current against Skase:
• He was due at Southport Magistrates Court on 26 June on an assault charge (represented by Mr Bill Potts of Price Roobottom, who would not comment on who was paying).

• He was due at Brisbane Magistrate’s Court on 31 August on charges brought by the ASC relating to misuse of Qintex money (handled by Brisbane solicitor Peter Hickey of Clayton Utz, who would not say if Skase had paid).

• Donnelly was attempting to obtain warrants in the Federal Court for Skase’s and Pixie’s arrest to examine their financial affairs.145

Skase told a television interview that he was not idle on Majorca. He said that he was ‘re-establishing and re-establishing as quickly as (he) could’. He did not specify how he would do this. There were infrequent reports in the media suggesting that he was attempting to develop a resort in Majorca. He lost what money he had managed to salvage from the mirage in an attempt to establish a resort some years after this report (This is discussed towards the end of this chapter). He said he wanted to come home, and would do so when well enough. He denied stealing $19.3m from Qintex.146

A public examination into QGMS and Kodogo Pty Ltd, which was registered under the Money Lenders Act and operated Skase’s executive jet, started in the Brisbane Magistrates Court before Mr William Randall SM on 3 August 1992. Robert Burns, the liquidator proposed to examine former QGMS executives about internal distributions to officers within the company: $3m of which was still not accounted for. He intended to use a transcript of Skase’s evidence at an ASC hearing, instead of calling him.147

After the event Peter Burden, said he had had ‘grave doubts’ about justifying $12.6m service fees paid to Kahmea in 1988-89, and had wanted to put it to QAL’s board. The board approved a $6m payment to Skase in 1988; but never discussed

145 Age 10/5/92:7.
the $12.6m. He was unaware of how much the 1989 payments were until presented
with a minute for himself and Skase to sign. He assumed the money was to meet
interest payments. He said that he had wanted the board to consider a number of
issues including Skase’s continued value as chairman. The MGM offer delayed this.
He said that public action against Skase would have created the ‘loss of confidence
which ultimately brought about its collapse’. He considered that Qintex's survival
had depended on the MGM acquisition.148

On 31 August 1992 the ASC laid 32 more charges against Skase in the
Brisbane district court. The charges were adjourned for mention on 26 November,
when Ian Callinan for the Commonwealth DPP and Skase's barrister, Shane Herbert,
agreed that medical advice precluded Skase’s court attendance in Brisbane. Most of
the new charges relate to Skase’s alleged

improper use of his position as an officer of IPH Finance Pty
Ltd in authorising various payments to QGMS to gain an
advantage for Kahmea Investments.149

The new charges claimed the misuse of a total of $7.5m. One charge alleges
that in late 1989, just before Qintex crashed, Skase ‘supplied, and authorised the
supply of, false information’ to QAL directors concerning the financial relationship
between QGMS and QAL, and that he dishonestly authorised the payment of $2.85m
to QGMS by IPH Finance ‘with intent to defraud IPH Finance’, while an officer of
that company. Twenty-eight of the charges allege that between July 1988 and
October 1989 Skase improperly used his position to authorise series of (sometimes
more than monthly) payments between $1479.18 and $2.85m to QGMS by IPH
Finance. The charges were set down for 23 August 1993 when Skase's counsel
Herbert tendered four medical reports confirming that Skase had suffered a collapsed
lung in flight to Zurich.150

Allpass and Crawford made their first official report to the company’s shareholders in October 1992. They said that the unsecured creditors, including convertible and unsecured notes holders, owed over $180m, would receive less that 1c in the dollar, and shareholders nothing.\textsuperscript{151} None of the secured creditors, who had received the most of the proceeds from assets’ sales, had recouped all their money. Their report did not reveal how much had been actually raised, but the media believed it to be about $1b.\textsuperscript{152} In November 1989 the group had needed $1m a day cash flow to pay interest, staff and overheads. The receivers said the group had $2b liabilities, but the assets, which the directors valued at $3b, were ‘another matter’.\textsuperscript{153} An overview Skase's operation ‘showed a singular motivation’.

[He] had a grand vision of building an empire comprising entertainment and resorts and so he went to Hollywood and attempted to buy MGM ... It seemed he went from one deal to another … If he had been able to buy MGM it would have generated a great deal of money for Qintex.\textsuperscript{154}

Skase appealed the extension of his bankruptcy discharge to eight years after his return to Australia. His lawyers claimed that he made ‘repeated offers to submit to interview and formal examination in Majorca’. He offered to fly Donnelly to Spain in July and August, as he ‘could not fly to Australia’.\textsuperscript{155}

Justice Drummond in the Federal Court dismissed an ASC application to have Skase arrested and jailed for contempt of court over alleged breaches of an undertaking given in 1991, and ordered the ASC to pay costs, which Donnelly immediately had frozen. Justice Drummond said despite evidence to show that people had difficulty communicating with Skase, he did not find that undertaking had been breached.\textsuperscript{156}

\textsuperscript{151} SMH 15/10/92:37.\textsuperscript{152} SMH 15/10/92:37.\textsuperscript{153} CM 16/10/92:1.\textsuperscript{154} CM 16/10/92:25.\textsuperscript{155} CM 7/11/92:1.\textsuperscript{156} Australian 29/10/92:25. AFR 29/10/92:5; 14/1/93:3. CM 14/1/93:23. SMH 29/10/92:38.
A Ferrier Hodgson spokesperson, expressed interest in the sale, at McCann's auction rooms in Richmond Melbourne, by a mystery Queensland businessman of an unusual collection of antiques comprising twenty distinctive unusual pieces bought by Skase in the 1980s, but no one knew when and how he sold them. The auctioneer said Skase was ‘an extremely acquisitive person ... (who) went way over the top in what he bought. He did not buy garbage’. His purchases had ‘an inherent quality’ giving ‘a great insight into his personality’.

QAL’s receivers attempted to recover about $40m ($50m with accrued interest from 1988) still owing on 61.25m $1 QAL contributing shares, paid to 1c. The shares were issued when QAL took over Qintex America (formerly Hardy Brothers Group Ltd), and dated from Hardy Brothers changing to Qintex America in 1986. The receivers' lawyer Blake Dawson Riggal had reviewed QAL's files on the compulsory acquisition from the share registry and declared that proper procedures had been observed, and it was a ‘legally recoverable debt’. Allpass said this was ‘a legally recoverable asset and morality (did not) enter in to it’. Calls were made on them before the company went into receivership. The receivers collected about $20m of the money owed on the shares, but several investors questioned the claim’s legality and refused to pay.

This highlights the NCSC’s somewhat invidious position in the 1980s. It may have exceeded its powers to modify the takeover code when it allowed QAL to avoid the $20m call on QAL contributing shares. QAL had offered two of its 50c shares for each Qintex America fully paid and one QAL partly paid for two Qintex America contributing shares. The QAL contributing shares were 50c shares and credited as paid to 20c (1c capital and 19c premium) and issued at a premium of $1.67. This left $1.98 to pay on each QAL contributing share, which was the equivalent of the amount formerly payable of two Qintex America contributing shares. When the offer closed QAL had acceptances from 97% of the ordinary shares and 93% of the contributing shares, with more than 81% of the shareholders accepting. Dissenting shareholders were told that QAL was enforcing compulsory acquisition.

QAL made a call of $1.84 per share on them in December 1988 soon after the close of the Qintex America bid, another of 7c a share in January 1989, and a third of 7c a share in July 1989. At the time of the first call QAL shares were selling below the $1.84 a share call and only few shareholders paid their call. Interest began to accrue at the rate of 8% per annum. QAL was placed in receivership in/11/89. Australian 4/12/92:28. CM 8/12/92:29.

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157 They included ‘The Grotto Suite’, a rare example of 1880s Venetian fantasy furniture, with giant stylised shells for chair seats and backs and dolphins for arms, and a pair of 19th century blackamoor figures. Sunday Age 11/10/92:12
158 Sunday Age 11/10/92:12
159 QAL had offer two of its 50c shares for each Qintex America fully paid and one QAL partly paid for two Qintex America contributing shares. The QAL contributing shares were 50c shares and credited as paid to 20c (1c capital and 19c premium) and issued at a premium of $1.67. This left $1.98 to pay on each QAL contributing share, which was the equivalent of the amount formerly payable of two Qintex America contributing shares. When the offer closed QAL had acceptances from 97% of the ordinary shares and 93% of the contributing shares, with more than 81% of the shareholders accepting. Dissenting shareholders were told that QAL was enforcing compulsory acquisition. Australian 4/12/92:28.
160 QAL made a call of $1.84 per share on them in December 1988 soon after the close of the Qintex America bid, another of 7c a share in January 1989, and a third of 7c a share in July 1989. At the time of the first call QAL shares were selling below the $1.84 a share call and only few shareholders paid their call. Interest began to accrue at the rate of 8% per annum. QAL was placed in receivership in/11/89. Australian 4/12/92:28. CM 8/12/92:29.
treat Qintex America fully paid shares and the partly paid shares as the same class of 
shares for the purposes of its offer. It effectively imposed a liability to QAL on 
Qintex America shareholders. Some Qintex America shareholders had accepted 
when told that QAL was proceeding to compulsory acquisition, but QAL ignored 
other shareholders’ refusal to acknowledge the validity of the acquisition and their 
refusal to sign acceptance forms. It issued them with partly paid shares.\footnote{161}

Donnelly, under the amendments to the Act, assessed Skase’s income to be to 
be $390,000 (including benefits such as airline tickets, legal costs, medical bills, and 
$104,000 a year rent at La Noria). This meant that after the certificate of assessment 
was lodged Skase owed his estate $181,000 (over $15,000 a month) to help pay his 
creditors. This was a legal obligation, which carried enforceable penalties.\footnote{162}

Skase, claiming 'a team of friends' supported him in Majorca, called the 
estimate 'a gross exaggeration'. He challenged the constitutional validity of the 
Bankruptcy Act amendments, claiming that the trustee made an arbitrary assessment 
of his income, based on guesswork.\footnote{163} Justice Toohey in the High Court found ‘no 
compelling reason to grant (an) injunction’ to stop Donnelly filing a certificate with 
an Australian court'.\footnote{164} When the Justice Minister expressed doubts about the 
constitutional validity of the amendment and said it might be challenged 
successfully, the Federal Government repealed the provisions under which Donnelly 
sought approval for his calculations about Skase’s income. Skase's challenge 
became void and Acting Chief Justice Sir Gerard Brennan ordered the 
Commonwealth to pay Skase's legal costs (about $20,000), which Donnelly 
immediately froze. Skase's Brisbane solicitor, Gilshenan & Luton, then challenged, 
on constitutional grounds, the amendment allowing the trustee to prevent automatic 

\footnote{161} \textit{Australian} 4/12/92:28. 
\footnote{163} In an unsigned statement issued through Gilshenan and Luton
discharge after three years, and that allowing a trustee to freeze funds payable to a bankrupt.\footnote{Skase had argued that Donnelly's right to assess his income effectively transferred judicial powers from the legal system to accountants. \textit{Age} 31/7/93:29. \textit{Australian} 7/8/93:31. \textit{AFR} 13/5/93:2; 2/7/93:3; 9/8/93:24. \textit{CM} 6/5/93:21; 2/7/93:3.}

In an interview with television host Derryn Hinch Skase again blamed 'a high level conspiracy', between the Hawke Labor Government and Murdoch, for his downfall.\footnote{CM 14/4/93: 4.} He claimed that Murdoch and the government, which used its majority control of the bank, pressured the Commonwealth Bank to call in its loan (of $100m). It was the only one of 32 bank creditors to do so. He did not mention that most of these were unsecured creditors.\footnote{SM 18/4/93:36.} Ian Smith of the Commonwealth Bank said that Crawford's first report caused the bankers to 'pull the plug'. Barclay's and ANZ had agreed with the Commonwealth's opinion that 'the group should go into receivership', and suggestions of political instruction were 'nonsense'.\footnote{Ian Smith from the Commonwealth Bank cited by Trevor Sykes 'Skase and the Truth', \textit{Bulletin} 4/5/93:40-42.}

Skase became more dramatic in his claims to ill health when he said that he would eventually need a lung transplant to save his life. These claims were never tested by an independent medical examination, although there were reports that he had been treated by a Brisbane doctor for asthma in the mid 1980s and he possibly had emphysema. Hinch believed that Skase was genuinely ill. Skase was reported to need a portable ventilator several times a day.\footnote{SMH 9/2/93: 34; 12/2/93:21.}

A Gold Coast consumer action group, The White Knights, gained media publicity with its claim that it could return Skase legally.\footnote{CM 6/5/93:21; 2/7/93:3.} Its founder, Mike Neal, claimed to have a team, reputedly including ex-military personnel, martial arts experts, and a lung specialist, investigating an operation to return Skase to Australia, without violence or force, which they had not begun yet but were watching Skase.
Skase's barrister Herbert told the Brisbane District Court that Skase feared leaving Majorca because of kidnapping threats.\footnote{\textit{Age} 17/11/93:3.\textit{Australian} 26/4/93:14.\textit{AFR} 17/11/93:7.\textit{CM} 17/11/93:21,24.\textit{SMH} 23/4/93:36.\textit{SM} 18/4/93:53.}

QAL was wound up in the Victorian Supreme Court in April 1993. Most of the proceeds of its asset sales\footnote{These included 51\% Mirage Gold Coast and Port Douglas ($123m in 1991); 51\% Princeville resort ($70m in 1990); Australian Television Network ($495m in 1991); Sunshine Television Network ($30.8m); and a Queensland group of investments ($865,000).\textit{Age} 23/4/93:37.\textit{CM} 23/4/93:3.\textit{SMH} 23/4/93:22.\textit{SMH} 30/4/93:19.\textit{AFR} 5/5/93:3.} had reduced its roughly $725m debt to the senior syndicate and other secured creditors. Unsecured creditors owed about $686m would share about $13m, 2c in the dollar.\footnote{\textit{Age} 24/4/93:23.\textit{AFR} 23/4/93:2.\textit{CM} 23/4/93:30.\textit{SM} 25/4/93:43,46.\textit{AFR} 23/4/93:25.\textit{CM} 24/4/93:3.\textit{SM} 25/4/93:14.}

Skase continued to berate the receivers and the banks from overseas. He said they sold the assets too cheaply and that the banks unjustly extracted 'usurious penalty interest rates and unjustified fees’. He said it was a ‘blinding fact’ that there was still money 'stashed away in Qintex’ and the banks had been paid in full. Allpass said this was a ‘total fabrication’. The banks still held charges over the assets, and he should not give shareholders false hopes.\footnote{\textit{Age} 24/4/93:23.\textit{CM} 23/4/93:3.\textit{SMH} 23/4/93:22.\textit{SMH} 30/4/93:19.\textit{AFR} 5/5/93:3.}

In March 1993 Judge Brian Hoath, in the Brisbane District Court, deferred Skase's trial on the ASC charges for a year, when his barrister said he would not be fit to travel by air before 1994, based on a medical report by the Director of Prosecution's Zurich-based specialist Dr U.Lagler, and Skase’s specialists Dr Villiger and Professor Medici. Reports suggested his health was improving steadily. After a 'preliminary altitude test' at a lung clinic in Switzerland, he was considering test flights in Europe, 'to determine’ his lungs’ capacity to cope.\footnote{\textit{Age} 24/4/93:23.\textit{AFR} 23/4/93:2.\textit{CM} 23/4/93:3.\textit{SM} 25/4/93:43,46.\textit{AFR} 23/4/93:25.\textit{CM} 24/4/93:3.\textit{SM} 25/4/93:14.}

The ASC interviewed Laurence Van Der Plaat, who had accompanied Skase to Australia in 1991, after his bitter ‘break-up' with the Skase family in March
1993. He claimed to have information about Skase's transfer of funds to offshore companies in 1989. Van Der Plaat had had a varied, but insignificant, career in the finance industry when he met Alexandra Frew in London in September 1989. He later became involved with Skase's business activities and moved to Spain, where he claimed he was involved with the Halcyon companies. He claimed to have handled property dealings, including a mansion in Majorca, a London house, and the transfer of millions of dollars out of Australia. He had a number of documents relating to Halcyon property and tourism developments in Europe, the Caribbean, and the US. Halcyon had apparently hired Des Brooks as a designer, and Federal Police raided his office and home searching for information about Skase.177

Skase had a pneumothorax while in an aircraft in August 1992. Van Der Plaat claimed Skase said ‘There’s no way the f----s (Australian authorities) are going to get me now’, and celebrated the event with a bottle of Krug champagne (allegedly taken from the Vessel Mirage 111 in 1989).178 He said Skase had three strategies to avoid returning to Australia: feigned illness; a possible Dominican Republic second or false passport; and the attempted use of business associate diplomatic influence of Prince Tchotova (Majorcan resident the previous resident of La Noria).179

Skase’s lawyers denied Van Der Plaat claims to have had any business connections with him, and called him a ‘gopher’, a conman and a liar.180 Tim Stranack, of Bailleys Shaw and Gillett (London), denied knowledge of any formal

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176 Alexandra Frew filed charges in the West London County Court alleging that Van Der Plaat had beaten, strangled and raped her. He denied the charges. Frew had agreed to drop the charges if van Der Plaat gave up a car worth $A6,250 and some photographs of the interior of the Majorcan property.

177 AFR 7/9/93:3

178 CM 8/1/94:3.


business relationship between Skase and Van Der Plaat. Property agents in Majorca said Van Der Plaat interviewed them in 1991 on Skase's behalf.\footnote{Age 8/9/93:5. CM 9/9/93:5.}

Stipendiary Magistrate Brian Murray granted the Australian Federal Police seven warrants for Skase's arrest in chambers in the Brisbane Magistrates Court on 24 November 1993, under Section 267 of the Bankruptcy Act which regulates declarations made by a bankrupt to a trustee.\footnote{CM 4/2/94:1.} The warrants alleged failure to disclose:

- Two Rolls Royce vehicles and a BMW total value $70,100 (sic) during November and December 1989,
- The transfer of $500,000 to Alexandra Frew on 20 February 1990,
- The transfer of $650,000 to Alexandra Frew on 1 November 1989,
- The transfer of $950,000 to Keith Dixon on 5 July 1989,
- The transfer of $17,800 to a Citibank account in Sydney on 25 July 1989,
- The transfer of $20,000 to a Barclays account in Sydney on 16 November 1989,
- The transfer of $42,700 to a Barclays account on 8 November 1989.

The Australian Federal Police were inquiring into the transfers of antiques and other items.\footnote{GC Bulletin 5/2/94.}

Judge Pratt refused Skase's next attempt, in the Queensland District Court, to defer his trial on ASC charges scheduled for 14 March 1994 on medical grounds. Skase claimed he would not be fit enough by then, but he refused to go Switzerland for a medical examination. He refused the DPP’s suggestion that it send a Brisbane doctor to Majorca to examine him. Judge Pratt criticised the DPP for not doing...\footnote{Age 8/9/93:5. CM 9/9/93:5. CM 4/2/94:1. GC Bulletin 5/2/94.}
enough to determine if Skase ‘was malingering’. The DPP arranged for an independent expert to interpret medical results supplied by Skase's lawyers.

At a special sitting Judge Pratt ruled that Skase was a fugitive issued a warrant for his arrest on the ASC charges. This paved the way for Skase's extradition. The Commonwealth Attorney General Lavarch said this case complied with the requirements of extradition treaty between Australia and Spain of ‘dual criminality and … an equivalent offence in Spain’ punishable by one or more years. The Spanish Council of Ministers (Spanish Cabinet) must approve a court-ordered extradition. Most of the ASC charges against Skase carried maximum penalties of five years imprisonment and/or a $20,000 fine. Skase could appeal against extradition on humanitarian grounds due to his health.

Judge Pratt said Skase ‘a conniving fugitive’ who exaggerated an existing medical condition ‘out of all proportions to avoid prosecution’.

Skase lost his appeal against the warrant on 10 February 1994, and Pincus J let Spain’s ‘judicial and administrative authorities’, determine Skase's fitness to travel.

Skase’s health now became central to his ‘performance’. He and his family set the scene. Tony Larkins said Skase was so ill that twelve airline and shipping companies had refused to carry him after seeing his medical records. Two medical experts (thoracic specialist Dr William Oliver and intensive care specialist and anaesthetist Dr William Griggs) said Skase could fly to Australia, with the correct facilities, but Skase’s former (1987) thoracic specialist, Dr Maurice Heiner, advised against it, calling it a ‘real risk’.

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187 Pincus J (1994)
188 He described Skase as looking as if he were going to drop dead. He had difficulty moving, and was slow in everything he did. CM 22/1/94:1. Weekend Australian 22-23/1/94:31.
Skase reinforced his argument by fax; he accused the government of using him to divert attention from its economic problems. He said Federal Government and ASC behaviour bordered ‘between the illegal and unethical’. He accused the DPP of using a ‘Star Chamber approach’ which denied people ‘their basic civil liberties’. He complained it

constantly frustrated (his legal representatives) in their attempts to admit relevant evidence, produce expert medical witnesses and in their offer to take evidence on commission in Spain.  

He criticised Judge Pratt for accepting ‘medical opinions’ from doctors who had not consulted his doctors.  

He said the Australian authorities had nominated a Swiss pulmonary specialist, Dr Lagler of Zurich, to examine him, but ‘threw him overboard’ when he advised against flying.  

Skase called a forced long flight attempted murder; a passenger jet’s cabin pressure ‘could blow a hole in one or both lungs’, and kill him. He claimed the DPP and the ASC perverted ‘justice in Australia’. He said their ‘dirty tricks campaign’ ‘just won’t wash.’ in the outside world. He would fight for his freedom in the United Nations, and eventually in ‘the International Court of Justice’.  

He claimed that

[c]orruption in the Australian bureaucracy is going to come to a head over this issue. Enough is enough. The phone tapping, the bribery, the payment of witnesses, attempts to interfere between a doctor and a patient. Enough is enough. You can fiddle with justice in Australia. There is no integrity left in justice in Australia. The ASC and the DPP are perverts (sic) of justice. They can’t win on a level playing field.  

190 Australian 26/1/94:1,2.  
191 Australian 26/1/94:1,2.  
192 Age 26/1/94:1,2.  
193 SM 30/1/94:3.  
194 SM 30/1/94:3.
On 31 January 1994 Skase’s solicitor applied under the Freedom of Information Act for government documents or correspondence to substantiate his claims. He was told three weeks later that the National Crime Authority databases held ‘no information relevant to his request’.  

Skase claimed that the Spanish police would arrest anyone attempting to kidnap him and return him to Australia.

So if Australia or the Australian authorities or any other groups operating outside the law in Australia, attempt anything then they will be picked up by the Spanish authorities.

Federal Attorney General Lavarch dismissed Skase’s accusations and said his job was to carry out the court’s judgement. He accepted that Skase had health problems but questioned their extent. The ASC was investigating the provision of in-flight medical care for Skase.

A Qantas spokesman denied this and said Qantas could carry most ‘passengers with medical conditions’. Two medical transport companies indicated that they could transport Skase. Medijet Australia had a specially pressurised air ambulance, with high technology equipment. It worked in conjunction with staff from the Royal Adelaide Hospital. Three insurance companies indicated they would insure Skase for extradition if certain conditions were met.

Spanish police arrested Skase on 31 January 1994 when he presented himself at a Palma police station, carrying a Louis Vuitton-style bag and a nebuliser, accompanied by family and a lawyer. Australia sent a provisional warrant for his arrest to the Spanish authorities through Interpol on 25 January, immediately after

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195 CM 15/2/03: 17.
196 SM 30/1/94:3.
Judge Pratt issued the warrant. A magistrate remanded him in hospital under guard pending official extradition proceedings.

Skase had disappeared some days before his arrest. Police raided his house without finding him on Saturday 29 January. A two day police search followed; all exits from the island were blocked. During this time Skase gave several media interviews. A Sunday Mail reporter, Malcolm Holland, interviewed Skase on Majorca after four days of 'tense negotiations'. Larkins met Holland near a road tunnel, led the way to a friend’s villa, and then contacted Skase who arrived with his wife. After the interview Skase left five minutes before Holland so that he could not be followed.

Skase was remanded in custody in the local general hospital under guard after bail was refused at a hearing on 3 February. The Australian government had 40 days in which to lodge the formal extradition request. Lavarch signed it on 21 February 1994. The case was the most complex Australian extradition procedure mounted in Spain, and its preparation was a long involved process. The documents (over 200 pages) contain thirty charges under the Companies Act and six under the Bankruptcy Act: some under Queensland law and some under Victorian law.

Canberra sent the papers to Madrid. They were translated into Spanish, checked by Spanish lawyers, then presented to the court. Frank Schoneveld, a lawyer attached to the Attorney General’s Department in Brussels, went to Madrid to prepare the extradition case. Australia’s acting ambassador to Spain, Omer Stuart, formally presented a detailed summary of the charges against Skase to the Spanish Foreign Ministry on 4 March 1994. The documents passed through the Justice Ministry to the Council of Ministers, then to a full hearing before three judges of the Audencia

199 Australian 2/2/94:1,2. AFR 2/2/94:1,4. SMH 2/2/94:1,4.
200 SM 30/1/94:3.
National. On 14 March 1994 Judge Pratt in the Brisbane District Court remanded charges against Skase subject to the extradition proceedings.\(^{202}\)

Larkins said ‘What do you f…ing think. He’s f…ing dying’, when journalists questioned him after he visited Skase in hospital. After visiting Skase Larkins told journalists that his family was ‘extremely worried … (he is now critically ill) on the verge of another pneumothorax … he is just concerned about staying alive to fight this vendetta’. Journalists saw Skase being wheeled through a hospital courtyard with his head bowed. \(^{203}\)

Dr Antonio Truyols, a hospital doctor who attended Skase, said he seemed okay for a person suffering asthma and emphysema. He was breathing normally and seemed normal given his medical condition. However, the hospital's medical director, Dr Dustavo Munoz, said that Skase was in a bad condition and needed constant treatment, although he had no breathing problems when he lay down, sat, or walked, but extra exertion caused problems. He said emphysema was Skase's most serious medical condition. He was receiving normal medical treatment including aerosol therapy.\(^{204}\)

Some local residents suggested that Skase had ‘friends in high places in Spain’ and might avoid extradition. One local said:

>[i]n Majorca, people remain blase, having seen a local financier, Mario Conde, lose millions of invested funds. He, too, had connections with the elite, just like another high-flyer, the Syrian tycoon Monzak Alkassar, known as the ‘Prince of Marbella’, who is sought for extradition over the alleged financing of a terrorist attack on the Achille Lauro in 1985, but managed to get out on bail…. If you’ve got real money, a lot is possible in Majorca ... Many shady people

come here - you can sail right in - and no one asks too many questions if they are wealthy.\textsuperscript{205}

A prominent Majorcan journalist reputedly said ‘the charges against Skase would not have affected his business prospects on the island where entrepreneurial flair is a byword’.\textsuperscript{206}

Pixie Skase made a carefully orchestrated appearance at the five-star Son Vida Hotel in Palma de Majorca, accompanied by her daughter Alexandra Frew and Tony Larkins. She had tears in her eyes and her voice quivered as she read a prepared statement.\textsuperscript{207} She said:

Doctors at the Palma General Hospital are doing all that they can to prevent further deterioration in my husband’s health. As a consequence of the intolerable pressures of recent months, his chronic emphysema has worsened and his respiratory function has deteriorated. My family and I are gravely concerned that he may have suffered further irreversible damage to his lungs. While forces of evil are conspiring to effectively murder my husband, be assured that he and we will fight this corruption until justice is achieved. The initial information sent by the Australian police to their Spanish counterparts last week was inaccurate, inflammatory and misleading as to the allegations against and the intentions of my husband - yet another example of the bias directed against him. My husband is very weak and asks that you desist harassment of himself, doctors and other patients at the hospital …\textsuperscript{208}

The Australian press noted the front-page prominence, which Spanish newspapers gave his wife’s accusations and family claims that information sent to Spain was ‘inaccurate, inflammatory and misleading’.\textsuperscript{209}

\textsuperscript{205} Age 5/2/94:15.
\textsuperscript{206} Australian 19/12/94:2.
\textsuperscript{207} Sunday Telegraph 6/2/94:2.
\textsuperscript{208} Sunday Telegraph 6/2/94:2.
\textsuperscript{209} Age 7/2/94:7.
The Skase saga had become a regular feature of most Australian newspapers. They repeated details of evidence given at Skase’s bankruptcy hearings involving his father in law’s transfers of money at his behest and stressed the number of charges against Skase and the amounts of money involved. One front-page story included an interview with Skase’s ‘angry’ grandmother who said he had done ‘a lot of stupid things’ and that ‘he knew better’ and should come back. Another newspaper analyst argued that it was Skase’s behaviour after the 1989 collapse rather than what he did before it which made him ‘the most scandalous figure from the 1980s boom’. Being wise after the event, this analyst argues that ‘every half-sober investor knew Qintex was hocked and high risk’. A Murdoch newspaper reminded readers (on page 1) that Skase’s trustee, Max Donnelly, was chasing his ‘luxury assets’.

Skase's extradition hearing began on Majorca on 19 July 1994. Members of the Audencia Nationale flew there from Madrid when Skase’s lawyers argued that he could not fly. Three senior Australian lawyers attended and two doctors, Dr Oliver and Dr Griggs gave evidence, based on their interpretations of 22 medical reports about Skase. Dr Oliver said Skase had a moderate to severe pulmonary disease, but that changes in altitude were similar to those encountered driving through the Alps to Switzerland.

Skase, was performing in the international spotlight. He used signs that dramatically highlighted and exaggerated his condition. He arrived by ambulance, and was transferred by wheelchair to a chair to the court. He wore an oxygen mask and an oxygen tank was placed beside him. He clutched a respirator while giving evidence and several times had the proceedings delayed because he ‘felt dizzy’. He objected to extradition on both medical and judicial grounds. He said he had not flown since his pneumothorax in 1992, but had travelled to Switzerland.

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211 Age 4/2/94:11.
212 Weekend Australian 5-6/2/94:1.
213 CM 7/7/94:7; 19/7/94:5. SMH 20/7/94:1,10.
several times by car and ferry. Spanish doctors told the court that Skase’s condition had deteriorated, but one said he could travel. A local specialist in transporting patients, Dr Lopez Ber Mujo, called Skase ‘a high risk patient’.  

Skase refused to be examined by the Australian doctors who considered his blood oxygen levels, tested on 6 July, were within the normal range for flying. The court ordered the hospital doctor to let the prosecution doctors see test results, and ordered the medical experts to confer over conflicting testimony. Medical witnesses then agreed that Skase’s lungs were stable and with no deterioration since scans taken in 1991 and 1993. The only doctor who insisted that Skase could not fly was Dr Johnson, his personal general practitioner.  

Skase’s lawyers, Antonio Coll and Luis Rodriguz Ramos contended that the alleged offences were not serious enough under Spanish law to demand extradition. The Spanish prosecutor replied that the continental extradition system did not require Spanish authorities to prove the charges against Skase before they could order extradition. Under Spanish law what Skase was alleged to have done constituted robbery:  

While robbery might have a different name in Australia it was still robbery even if the defence claimed it was simply a bad financial move.  

Majorcan lawyers queried Skase’s poverty claims: Ramos, a leading Spanish lawyer, would charge at least $200,000 for a court appearance, and the Coll about $50,000. At the end of the hearing Skase removed his oxygen mask to read out to the court a statement in Spanish in which he said ‘Spain is my home. My future is here’. The three judges reserved their decision.  

On 16 September 1994 the Audiencia National, in a 25 page judgement, granted extradition on 32 ASC charges laid under the Queensland Companies Code,

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214 *Age 20/7/94:1,10. Australian 20/7/94:2. AFR 28/7/94:12*
215 *Australian 21/7/94:1,2. AFR 21/7/94:7; 28/7/94:12*
216 *Australian 21/7/94:1,2. AFR 21/7/94:7; 28/7/94:12*
217 *Australian 21/7/94:1,2. AFR 21/7/94:7; 28/7/94:12*
but not the seven Bankruptcy charges, so Australia could not continue prosecution of those charges. The judges, however, considered the possibility of a second pneumothorax a potential risk, and attached the condition that Skase travel by sea with appropriate medical assistance. It gave Australian authorities 30 days to satisfy that condition. It also ordered that the Skase’s time in Spanish custody be deducted from any prison term he might be given. Skase's lawyers applied unsuccessfully for his release on ‘provisional liberty’ to return to La Noria under police surveillance, or to be moved to a private hospital.\textsuperscript{218}

Australia appealed the condition that Skase travel by sea.\textsuperscript{219} Two passenger cruise lines refused to take Skase, and freight companies said they lacked suitable facilities.\textsuperscript{220} Two ships, a CSIRO vessel and an Australian Maritime Safety Authority ‘high tech’ ship, submitted tenders to transport him.\textsuperscript{221}

Skase appealed against the court order. His wife, in tears, threatened revenge on Lavarch if Skase died during extradition. She claimed that Skase would soon need a transplant in one or both lungs. She said that Skase’s incurable condition was rapidly spreading in both lungs, 33\% in one and 100\% in the other. She claimed his deterioration had increased rapidly since his arrest, and that Skase was being refused: the limited exercise which is vital to his therapy, and … has suffered repeated super-infections in hospital … He has deep furrows in his cheeks. His skin is yellow. His hands constantly tremble. His teeth are now loose. His bones have deteriorated because he is not allowed exercise.\textsuperscript{222}

The nine judges of Spain’s Audiencia National overturned the extradition order on humanitarian grounds of ill health, although it met legal requirements.\textsuperscript{223} Six doctors said that it would be safe for Skase to travel, but Skase found 16 new

\textsuperscript{219} Australian 21/9/94:6. AFR 21/9/94:5.
\textsuperscript{220} CM 21/9/94:1
\textsuperscript{221} Age 6/12/94:3. CM 7/12/94:3
\textsuperscript{222} Australian 5/12/94:1,2. CM 5December 1994:1.
\textsuperscript{223} CM 22/12/94:1
doctors (Spanish, Swiss, and Danish) who said it was not, including Dr Luca Riquelme Pena, the head of medical services of Iberia, Spain’s national airline. The court criticised Australian authorities for not acknowledging clearly enough Skase’s health problems, which had worsened in the last few months. He went home by ambulance. His wife wept ‘tears of joy’. The family expressed public gratitude to the two lawyers who Larkins said ‘have done this without being paid, because they were so impressed with Christopher’.

Skase gave a press interview, without a breathing apparatus, at the gate of La Noria. He spoke confidently without hesitation for about ten minutes.

He showed no obvious signs of ill health, although he was pale after a year out of the sun. He claimed that he would never make a full recovery from his condition without a transplant.

He claimed that hundreds of people in Australia and Spain had supported him. He said that it had been ‘a great thrill and a tremendous day and a day when justice was done’. He intended to apply for Spanish citizenship as soon as possible. Skase did not mention, however, the principal requirement for Spanish citizenship is a minimum of 10 years’ residence in Spain.

Skase adopted the posture of a persecuted victim when he compared his experience in jail with Nelson Mandela’s 28 years, and Terry Waite’s 5 years. He said that prison was ‘an experience that touched every physical and emotional fibre in your body’.

The Australian media would not buy Skase’s story. He called for tenders for interviews in three areas, newspapers, magazines and television stations, through Melbourne lawyers Corrs Chambers Westgarth. Australian television networks

224 Australian 23/12/94:2
225 Age 23/12/94, SM 18/12/94:1,4, 75. Weekend Australian 24-25/12/94:15.
226 Australian 19/12/94:1.
227 Australian 19/12/94:1.
228 Age 20 December 1994: 13.
declined to bid; viewers disliked large amounts being paid for interviews. Channel Nine was not interested in the six figure amount Skase suggested, the ABC said it did not pay for stories, and Seven said it was enough that it had spoken to Skase. One reason given for refusal to pay was that viewers were not receptive to. Donnelly would probably have seized any money paid to Skase.\(^{229}\)

The case, which attracted considerable publicity in Australia, generated political opportunism. The government had spent about $350,000 on it. Shadow Attorney General, Amanda Vanstone, accused Lavarch of bungling the extradition. Lavarch refused to release legal details, in case of an appeal if Skase's health improved. There is, however, no absolute standard of good health. Skase had a progressive condition, and his refusal to be examined by Australian doctors precluded an objective assessment of his health.\(^{230}\)

Less than four months after he won his appeal the *Majorca Daily Bulletin* interviewed Skase without his respirator. He looked fit and confident. He boasted

that he would create a new international business empire with five star luxury tourism complexes, an international hotel and conference centre in Palma, ‘ecologically sound’ theme parks, and specialised sports facilities; all to be expanded into Europe. He continued to present himself as the victim of a conspiracy between the Australian Prime Minister, Murdoch, and the Australian business establishment. He still claimed a group of about 50 friends and supporters financed all his expenses, including two luxury cars and two full time domestic staff.\(^{231}\)

Skase's apparent good health angered Queensland politicians. A Queensland backbencher, Arch Bevis, said he would make a personal appeal to the Spanish government in view of Skase's apparent remarkable recovery. The Queensland Tourism Minister considered Skase's plans and other comments ‘disgusting’.\(^{232}\)

\(^{230}\) *Age* 20/12/94: 2, *SMH* 23/12/94:12.  
\(^{231}\) *CM* 21/3/95:1-2,10-11  
\(^{232}\) *Mail on Sunday* (London) 26/3/95:3.
Skase became defensive when Australian comedian Andrew Denton announced a campaign to kidnap him, the chase for Skase, on a 7 Network television show. Denton hoped to raise $200,000 to hire an American bounty hunter, Bob Burton, to kidnap Skase and return him to Australia. Skase threatened that Denton and/or Burton would be liable for a 6-20 year prison sentence in Spain for issuing the threat. He hired a bodyguard to protect himself. Denton raised over $100,000 before the Attorney General warned him that, under Australian law, Skase could not be prosecuted if brought back to Australia by force. The ‘attempted kidnapping’ was widely publicised in Australian and international media.233

To remain free Skase could not leave Spanish territory. Neither he nor his wife attended his step daughter, Alexandra Frew’s, wedding in London in December 1995. Nevertheless rumours spread, Australian authorities investigated an unsupported sighting of Skase in Hong Kong in November 1995, but there was no record of his entry into the territory.234

By the mid 1990s Skase was effectively Australia’s corporate scapegoat. The narrative had succeeded; attention was diverted from the contemporary political economic scene and focussed on the individual. He was labelled a ‘coward’ and a ‘thief’, and was credited with escaping with a large sum of stolen or embezzled money. Most people, however, were confused about how much money he had, or where it came from, or to whom it belonged. Skase's 'cowardly behaviour’ was compared unfavourably with that of Alan Bond who ‘faced the music’ in Australia, and went to jail. There was little realistic comparison between the behaviour of the two former entrepreneurs or the size of their respective corporate collapses. The non-payment of a small group of Lloyds sub-contractors was translated into non-payment of many employees and it was supposed that Skase was living on their money. Superannuation funds had disappeared when Qintex collapsed; therefore he was presented as having embezzled those funds.

These ideas were fuelled by Donnelly’s overt efforts to find where the money was hidden. Donnelly increased his efforts to trace Skase's assets. He hoped to formally examine some of Skase’s bankers, lawyers and accountants, in an attempt to trace and value hidden assets.\textsuperscript{235} At the end of 1995 Donnelly spread his investigations to London, when his lawyers questioned the National Westminster Bank and the Austrian bank, Österreichische Landesbank. At an April 1996 private court hearing, of which he was not allowed to repeat details in public, he questioned Alexandra Frew and Skase's London lawyer, who was not granted the lawyer’s privilege for asset related documents. In November 1996 a report on 7 Network’s \textit{Today Tonight} asserted that Skase escaped with possessions worth $5m-$6m and at least $10m cash.\textsuperscript{236}

Donnelly was reported to believe that Skase could have taken up to $50m from Australia.\textsuperscript{237} He tried to trace $5m to $10m in assets which had been transferred from Australia, including money and property transferred to Karess Pty Ltd, registered in the tax and secrecy haven Cayman Islands in the names of Skase's step-daughters. Other assets included the contents of the containers, which Skase shipped overseas in November 1990.

Donnelly hoped to demonstrate that assets were being held in trust for Skase. Over $1m was moved through Österreichische Landesbank. Austrian secrecy laws protected the bank so well that Donnelly was never able to find out how much money was moved through the Austrian bank.\textsuperscript{238} Donnelly argued that Kahmea bought the Chesson Road house for £330,000 ($643,000), transferred it to Alexandra Frew in ‘consideration of natural love and affection’ and then to Karess. The property was ‘encumbered’ with Österreichische Landesbank and the Bank of Bermuda, who sold it in 1992 as mortgagees in possession. Donnelly believed that the property had been used to ‘transfer cash elsewhere’. He hoped to recover some

\textsuperscript{235} \textit{Weekend Australian} 24/25 December:21.
\textsuperscript{236} \textit{The Hollywood Reporter} 12/11/96.
\textsuperscript{237} \textit{CM} 8/6/96:23.
\textsuperscript{238} Anonymous 1.
assets from Spain. When Skase complained that Donnelly was trying to get his wife’s rings, he replied that Skase, ‘or, more correctly Hardy Brothers’ had given them to her.\textsuperscript{239}

The NCA was linked with an alleged attempt to kidnap Skase in June 1996. Lillian Hutchence alleged that the NCA offered her $50,000 to use a prospective business deal to decoy Skase from Majorca to an extradition-friendly jurisdiction. She had met Skase at La Noria in 1995 in relation to a South American resort project.

She claimed to have had meetings, arranged by a Sydney identity Tim Bristow, with an NCA officer. The NCA confirmed meeting Hutchence, ‘because she had information’, but denied offering money.\textsuperscript{240}

Skase called this attempt a ‘pre-election ploy’. He said he would complain to the Spanish Ministry of Justice and Interpol over the latest NCA kidnap attempt, which he called ‘a clear misuse and abuse of government agencies to ... (break) domestic and international laws’.\textsuperscript{241}

In a series of telephone calls with Brisbane’s \textit{Courier Mail} Skase attempted to create a ‘poor little me’ image. His salary at Qintex was $50,000, he never took holiday pay or sick leave or long service leave. He proclaimed his innocence and reiterated claims of an Australian government conspiracy, plus blaming the pilots’ strike, escalating interest rates and tightening bank credit. He accused Lavarch of misusing the Australian embassy in Madrid for illegal activities, including phone taps and intercepting mail. He claimed that he lost more money in the Qintex collapse than any other individual, and that some people had made a lot of money trading in Qintex group shares. He called Qintex’s high profile extravaganzas

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  \item \textsuperscript{239} \textit{SMH} ‘on the net news’ 25/4/96. \url{http://www.smh.com.au/daily/archive/960425/world/world2.html}. \textit{CM} 9/7/96:1,2.
  \item \textsuperscript{240} \textit{CM} 8/6/96:1,2.
  \item \textsuperscript{241} \textit{CM} 8/6/96:23.
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‘necessary business expenses’. He said he currently earned about $25,000 a year ‘as a resort development consultant’, but refused to supply written confirmation. When asked how he afforded his expenses he said that was ‘a different issue’ - his earnings were his and other peoples’ earnings were theirs. His arrangements with his family and associates were private between them. Sceptics suggested that ‘other people’ were in fact his wife, and her daughter and son-in-law, and their ‘earnings’ probably came from hidden assets. He claimed to live a simple ‘quiet country lifestyle’. La Noria was in fact owned by a company La Noria SA, controlled by Larkins. This company in turn was owned by two Cayman Islands registered companies Kyle and Karess. Skase’s four stepdaughters owned Karess. Donnelly argued that this was a sham and the asset clearly belonged to Skase. His actions in the UK and the Cayman Islands were designed to prove Skase’s ultimate ownership of Karess. Cayman Islands secrecy provision prevented him from making that connection to Skase.

The more conservative Liberal Party replaced the Labor Party in government after the federal election in April 1996. Under the previous government the Inspector-General in Bankruptcy had funded Donnelly for a number of years, under Section 305 of the Bankruptcy Act, ‘in the public interest’ governed by ‘strict terms and conditions’, which included government approval of every stage of Donnelly’s actions.

The total cost of Donnelly’s investigations since 1991 was about $500,000. He applied for further funds to trace Skase's assets on 26 August 1996. The government had then spent about $700,000 on Skase. In October 1996 the Insolvency and Trustee Services, an independent agency of the Attorney-General’s Department, decided that Donnelly’s ‘search for assets … had little chance of success’ and terminated funding on the grounds of cost effectiveness.
The press was informed and it created an immediate public furore. Prime Minister John Howard, fuelling the narrative, said that ‘Skase … has clearly defrauded many decent Australians of a large amount of money’, and instructed the Attorney General Darryl Williams to investigate the politically unpopular decision.\(^{245}\) In November Williams announced that ‘he was not satisfied that all legal avenues for the possible recovery of Skase's assets had been exhausted’ and that funding would resume, but would not say how much. Like its ALP predecessors the Liberal coalition government justified the funding of Skase’s trustee as a ‘matter of public policy’.\(^{246}\)

It was also possible that Australian Federal Police had enough evidence to prosecute Skase in a British court for a number of offences, particularly in relation to an alleged assault on Van Der Plaat. Federal Police alleged that Skase's associates had followed various facets of their investigations. A London lawyer was alleged to have contacted Cayman Islands police demanding details of Australian Federal police investigations.\(^{247}\)

The media did not allow the public to forget Skase. He remained the corporate ‘bogey man’ from the 1980s. His movements were confined within Majorca. The ASC prepared new extradition papers ‘in case’ he moved outside Spanish territory. The media published periodic stories about him. In 1996 Van Der Plaat produced a book, *Too Good to be True*, about Skase, in which he claimed Skase had tried to silence him with threats because he ‘knew too much, could revel too much ---the hidden assets, covert defence plans, his new business and other secrets’.\(^{248}\) Both the Federal police, acting for ASIC, and Donnelly questioned Van Der Plaat, who gave some information, but it became apparent that he did not know very much.\(^{249}\)

\(^{245}\) AP Worldstream 10/10/96.

\(^{246}\) Anonymous 1.


\(^{248}\) Van Der Plaat, L. (1996) *Too Good to be True* Sydney: Pan Macmillan Australia Pty Ltd: xii.

\(^{249}\) Anonymous 1
Donnelly, with funding secured, continued his diligent search for Skase's assets, including movements of money around the world through trust accounts in his stepdaughters’ names. Donnelly traced the movement of about $10m from Australia, but media reports suggested that there could be more as yet untraced. The four girls ostensibly owned Karess, but Skase managed and controlled it. It was allegedly set up by his London solicitor under his instructions. In December 1997 Donnelly sought orders in UK and the Cayman Islands to ‘freeze’ assets which he believed belonged to Skase. One report suggested that Skase might have hidden over $150m, which could not be traced in the Qintex group. A Majorcan newspaper claimed that before his arrest Skase had boasted that he would ‘bring to Majorca the rest of (his) fortune - about 10,000 million Pesetas ($100m)’.

Another unsubstantiated report on the ABC’s *Four Corners* suggested that the money paid for 49% of Princeville in March 1989 never reached Australian banks but had disappeared through Priceville’s tax haven registered parent company. Donnelly could not establish details of that sale, as he could not obtain a copy of the settlement sheet. He had no idea if there were any side deals or whether any involved payments to Skase. He was reported to believe that if Skase took any money out of Qintex it could have been through Princeville.

The Palma court refused Donnelly’s application to seize La Noria, which he insisted Karess owned. Skase maintained he was renting the property from ‘Prince’ Tchokatova. The Federal government gave Donnelly further funds in late 1997. Spanish police apparently supported Skase when they harassed process servers who tried to serve documents on Skase and Amanda Larkins in Majorca. Documents were thrown over the wall by the servers and then thrown back and the Australian courts gave Donnelly permission to summons the Skases by mail.

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252 *SMH* 19/12/94:9
254 Anonymous 1
255 *AFR* 21/2/98: 4.
The shadow Attorney General, Senator Bolkus, brought this into the political arena with accusations and counter-accusations of ‘bungling’ and ‘leaks’ in the Attorney General’s Department. Public anger was fuelled with the release of fatuous transcripts in a women’s magazine, purporting to be Pixie Skase's telephone conversations with her friends, which included the first names of a number of prominent people and suggestions of social contact with these people. Prime Minister Howard said the ‘Australian community’ felt ‘that this man ought to be pursued with all the vigour which is available to the law’. 256

In May the Australian government cancelled Skase's passport, and Spanish authorities retrieved it for them. It then asked all countries with which it had diplomatic relations not to supply him with a passport. The government revealed that the previous Labor government had renewed Skase's passport in 1993. Then Minister for Foreign Affairs, Senator Evans, admitted that he discussed the matter with the Attorney General, and claimed that he had to renew it despite the fact that it was valid until 1999, there was an alert on it, and Skase was being labelled a fugitive. Under Section 7d of the Passports Act the Minister is not required to issue a passport to someone who, like Skase, already possessed a valid passport; in fact he could have cancelled the passport under Section 8 of the Act. Skase’s passport was renewed with outstanding promptness within five days of him lodging his application. 257

In July 1998 the Spanish government ‘formally refused Christopher Skase's application for renewal of his Spanish residency permit … (and gave him) 15 days to leave Spain’, after the Australian government indicated that it hoped Spain would not renew the permit. Skase appealed the decision. 258

Skase lost his Australian citizenship when he successfully applied for citizenship of the Commonwealth of Dominica, a microstate tax haven in the Caribbean. Australia has an extradition relationship with the Commonwealth of Dominica through their common membership of the Commonwealth of Nations. Dominican authorities cooperated fully with Australia after granting Skase’s application. Possession of a Dominican passport allowed Skase to reapply for Spanish residence, which was refused, and he was told to leave by 13 November.259

Skase was now circumspect in his business activities. Tony Larkins was the only director of five companies established after 1996, including one hoping to construct a 5 star hotel, 40 apartments, and a golf course in Valldemossa. An Amsterdam based company Drumalu BV held the shares in two of the companies. The companies were Beautiful Dreams SL, established in May 1997, A Love So Beautiful SL, My Claudette SL (a real estate agency), Blue Bayou SL (hotel management group), and Resorts and Hotels SL. Three consultants (Brian Alexander Mckay, Malcolm Douglas Johnson, and Fjodor Nikolas Knud) took over management of Los Nomadas, an investment company allegedly associated with Skase, from Larkins.260

Skase turned 50 on 18 September 1998, in a very different position from a decade before when he celebrated his 40th birthday with an extravagant party at his Brisbane house. He exploited the Spanish legal system in his continued resistance to the Spanish government’s attempts to expel him. He launched a new appeal each time he lost one.

Spanish authorities began investigating Skase's business activities and non-payment of tax. They asked why he had not submitted any tax returns for 1994,

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260 AFR 15/8/98: 3.

344
1995, and 1996. The authorities also wanted more information for his 1997 return.\textsuperscript{261}

Skase's family announced that he would have major lung surgery on 1 March 1999, just after he lost his February appeal against expulsion and received another deportation order. Reports of an operation in Valencia on mainland Spain and his subsequent transferral to a clinic on Majorca for recuperation, followed. To substantiate their story his family released photographs purportedly taken during surgery. Some Australian medical practitioners doubted their veracity, and suggested that they were faked. Skase's Brisbane lawyer suggested that Skase could die within the next few years. The deportation order was suspended after the alleged surgery.\textsuperscript{262}

Skase suffered another pneumothorax and a collapsed lung in June 1999. This did not prevent the resumption of efforts to deport him in July 1999 when Justice Carmen Fregola ruled that the February order should stand. She gave Skase 15 days to leave Spain. His appeal against the order was dismissed in April 2000.\textsuperscript{263}

In July 1999 an Australian filmmaker proposed to make a film about an attempt to kidnap Skase. Initial efforts to raise finance for the film were halted due to problems with the Australian Securities and Investments Commission (ASIC) about a prospectus for the film. The problems were solved and the badly reviewed film, \textit{The Chase for Skase}, was released in October 2001.\textsuperscript{264}

Another ‘Skase mystery’ arose over building work started at La Noria in April 2000. Neither Skase nor the local council would give reporters any information. It was difficult to obtain planning permission on Majorca. Skase had

\textsuperscript{261} \textit{AFR} 16/11/98:5.
\textsuperscript{264} \textit{AFR} 4/1/00:6; 1-2/4/00:6; 4/7/00:108.
failed in an earlier attempt to obtain permission to develop a resort at Valldemossa.\textsuperscript{265}

In June 2000 Skase and his wife were interviewed to Australian radio personality John Laws and the Australian magazine \textit{Women’s Day}. Skase used this interview, which was shown as a Foxtel special, to reiterate his innocence. He claimed that a leading QC had warned him of his impending arrest just before he left Australia in 1991. His wife claimed that they had received anonymous letters containing death threats.\textsuperscript{266}

The Australian government continued to finance Donnelly’s international legal proceedings to uncover hidden assets, but was reluctant to disclose how much it had spent. The banks did not contribute to the search. The government had first call on any assets recovered, but the banks were Skase's major creditors, and stood to benefit most from any asset recovery. At this point the assets became a mirage. Numerous media reports suggesting that Donnelly was tracing assets were never followed by reports of success. Legal proceedings in the Cayman Islands did not lead to confiscation of any assets.\textsuperscript{267}

Donnelly extended his investigations to include a proposed examination of Tony Larkins, who had agreed to meet him when in Australia for a period. Larkins changed his mind and left the country three days before the agreed date. Donnelly wanted information about Skase’s business transactions involving Larkins. As he left Australia Larkins was served with a summons to appear at a bankruptcy hearing in February 2001. Deputy registrar, Geoffrey Segal, issued a warrant for Larkins’ arrest, after he failed to appear at the hearing, because he claimed to do so would ‘risk his career in Europe’. Larkins also claimed that the $3,000 offered for his

\textsuperscript{265} \textit{CM} 10/4/00: 1,2.
\textsuperscript{266} \textit{AFR} 27/6/00:51.
expenses was inadequate, he said that he always flew business class with Skase and the accommodation offered was below his standard.  

In December 2000 Skase failed another attempt to prevent deportation. Simultaneously his family announced that he would undergo surgery for cancer. He had a ‘rare’ and ‘aggressive’ stomach cancer, which had metastasised to his pancreas and duodenum. Family friends revealed that he had six months life expectancy. A doctor who visited him reported that his condition was poor and he was in a lot of pain. Despite these reports the Australian government reaffirmed its intention to retrieve him if he were expelled to a treaty friendly country and had an emergency medical evacuation team available if required.

Skase began trying to liquidate his assets. La Noria was apparently sold to a hotel group in 2000, and he moved to a ‘two story traditional farmhouse’ built on land which a Skase connection had bought for $500,000. It was on the market for $2.7m. In January 2001 a partially constructed luxury Spanish apartment development, apparently owned by Skase, was placed on the market for $8m. The property was owned by Blue Bayou SL, one of the companies mentioned above.

The Constitutional Court in Madrid denied Skase leave to appeal against deportation in March 2001. Skase's remaining option to prevent deportation lay with the Court of Human Rights in Brussels, on the grounds of ill health. The Australian government was still hoping to bring him back as a ‘face-saving’ exercise.

In July, following an examination by an independent medical officer, the Spanish government announced a three-month hold on extradition proceedings due to Skase's health. Skase was never seen outside his house, his condition was

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268 AFR 12/8/00: 15; 28/2/01: 5. CM 24/1/01: 9; 28/2/01: 7.
269 AFR 8/1/01: 5. CM 13/12/00: 13; 12/1/01: 5; 15/1/01: 1; 16/1/01: 4; 17/1/01: 4; 18/1/01: 3; 19/1/01: 9; 20/1/01: 4.
270 CM 15/1/01: 1; 20/1/01: 1, 4.
deteriorated rapidly and was weak and unable to eat. Prime Minister Howard said ‘we will never give up trying to get him back to justice’.  

Christopher Skase died of cancer at home on 6 August 2001, after assuring his wife that she and her family ‘would be well looked after’. All the Australian media featured coverage of his death, and ‘potted’ biographies. Immediately after his death his wife and her daughter abused the Australian government and the media who had ‘hounded’ Skase until he died. Tony Morris a Brisbane barrister who had represented him said that Skase

became bitter about the attitude of Australians towards him … (he) believed investors knew they were taking risks – and for everyone who lost a thousand dollars Skase lost a million. He could not understand why people did not regard him as being in the same boat.

The Federal government and Donnelly announced their intentions to continue the pursuit of Skase’s assets. Federal Attorney General, Darryl Williams, said the government would continue to support moves to recoup some of the $A177m owed to his creditors. Prime Minister Howard indicated that the government would continue to fund a search for his assets, in the ‘legitimate public interest’. Donnelly suggested that Skase had taken about $15m in cash and goods to Majorca. Donnelly suggested that Skase’s wife might be source of information and ‘would like to examine Pixie Skase in court’. Donnelly continued his attempts to trace assets hidden in companies registered in the Cayman Islands tax haven. Skase’s Spanish lawyer Antonio Coll said that Skase had left very little to his family.

In December 2002 Donnelly, who was reputed to have spent $3m in his search for Skase’s hidden assets, conceded that he was unlikely to find any further assets. This followed investigations in Majorca and conversations with Larkins on 23 October 2002. The federal police arrested Larkins at Sydney airport when he

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272 AFR 7/8/01:1. CM 7/8/01:1, 4.

273 AFR 7/8/01:1.

returned to Australia. He was taken to the Federal Court of Australia where Donnelly interviewed him. He was then released.

Donnelly said it appeared that Skase had lost most of his money in badly planned, disorganised business ventures in Majorca, which he began soon after he arrived in Majorca. Skase did not have the contacts or state aid he had found in Australia, nor did he have the same encyclopaedic knowledge of the Spanish corporate scene that ad given him his start in Australia. His ventures included a golfing resort, which he tried to establish on land on which the Spanish government refused permission to build, and a badly positioned resort begun without proper authorisation. The latter had become an apparently worthless concrete shell of partly completed buildings. Skase had remortgaged La Noria to build it, and the mortgagee had repossessed La Noria.275

Pixie Skase apparently had the only money left in the family. She had the proceeds from a $1m life insurance policy and her personal jewellery, which the media claimed was worth $10m. Reports circulated about a Skase ‘autobiography’ apparently completed a few days after his death. It was entitled *A Postcard from Majorca – A Nightmare in Paradise*. A Spanish publisher was supposed to have produced a limited run of 5,000 copies, but as the book was never released it was not a source of income. Six months after his death she was staying in England with her daughter Alexandra. Tony Larkins had less than $2 in his pocket when he returned to Australia in October 2002. He and his wife were apparently penniless.276

Details of the Skase myth became blurred, as the media constructed a verbal ‘artistic portrait’ of the man. The fine details were lost. One obituary described the extravagant Qintex Christmas party held at the group’s Leonda reception centre in December 1984, as launching ‘his new (my emphasis) company Qintex’ (acquired in

1975), when he gave guests gifts from ‘Qintex’s latest (my emphasis) acquisition Hardy Brothers’ (acquired in 1979). Another report in 2003 almost doubled the number of ASC charges against him.

The Skase myth, which developed during his years in exile, was a set of beliefs based on contrasting images of Skase. His family and friends portrayed him as ‘a man of vision, a creator of prosperity and a persecuted victim of witch-hunting governments’. The more popular image, however was that of ‘a scoundrel, a thief, a liar and a coward’. Unlike Alan Bond, who went to prison, Skase publicly mocked the legal system and refused to face the consequences of his actions. He was living in apparent luxury in Majorca despite his protestations of ‘poverty’.

This chapter concludes the case study. It analyses what happened after the Red Queen was proved correct, and Skase could not keep running fast enough to stay in one place. It analyses labels that were constructed and the ‘landmark narrative’ that was created to make Skase, ‘the outsider’ into the scapegoat for the corporate collapses of the 1980s. This analysis supports Douglas’s argument that ‘institutional processes’ allocate responsibility and frequently ‘blaming the outsider’. As Weber notes, charismatic leadership is transient and when the prophecy fails, the charismatic leader is blamed. The media, had a central role in creating Skase's charismatic authority and when his ‘prophecy’ failed the same media was a strong factor in his demonisation.

The state’s approach to corporate regulation was not blamed for the collapse. Attention directed at Skase concentrated on three areas:

- ASC investigations and charges against him,
- Skase’s erratic behaviour and refusal to return to Australia, and the way he made his health an issue, and

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277 Age 7/8/01:2.
278 CM 15/2/03: 17.
279 CM 7/8/01:5.
280 Douglas (1985): 53
• Donnelly’s attempts to trace Skase’s hidden assets.

The state, which needed to maintain its legitimacy, compromised with the hegemonic financial institutions in the disposal of QAL’s assets. While the state did not relax its foreign ownership limits for television stations, it did support the scheme, which the banks manufactured to circumvent those limits. Skase’s use of tax haven secrecy laws allowed him to hide those assets, which he had taken from Australia. His bankruptcy trustee accepts now that by the time he died Skase had lost what money he had taken from Australia, in a series of badly planned business ventures on Majorca.
Conclusion

I have placed the construction and collapse of Skase’s Qintex mirage within its 1980s Australian political economic context and established the role played by postmodern flexible accumulation in its rise and fall. In doing so I have demonstrated that Harvey’s broad macro-level theoretical concept can be directly applied at the individual, micro-level.

Skase, through Qintex, established a media and tourism empire. The empire, however, lacked solid foundation. Skase borrowed too heavily to create it, and the failure of the MGM/UA deal revealed the lack of substance behind the luxurious facade. Fourteen years after the group collapsed its assets belong to others. The 7 network is now a public listed company. The banks floated it in the 1990s and recouped their money. The five star Australian Mirage resorts are owned by Japanese companies and operated by the Sheraton management group.

I have described how the contemporary political economy created the conditions which allowed the development of the mirage. Imprudent banking practices, which exacerbated the effects of the relaxation of the Australian banking system, provided the ‘fictitious capital’ which fuelled that expansion. The analysis of the case study establishes the role of deregulation in the group’s exponential growth, which had both financial and spatial dimensions. This is illustrated particularly in Chapters Five and Six, which analyses the group’s expansion on an industry basis, after deregulation. These chapters also indicate how state intervention assisted the mirage at both Federal and State levels.

I have shown that, although charismatic, Skase was an arrogant and dictatorial leader, who frequently made decisions without consultation, or who
ignored advice he was given. He was guided, or misguided, by a single-minded ambition and a clear opinion of how to achieve that ambition. His frenetic expansion in the mid 1980s when every ‘deal’ was bigger than the previous one, demonstrates the Red Queen element. This is consistent with postmodern flexibility and fragmentation.

I have established that Clarke’s broad definition of corporate deviance is consistent with Skase’s use of postmodern fragmentation and flexibility. The criminogenic corporate environment contributed to Skase’s mirage. He benefited from the state’s laissez faire approach to corporate regulation and the somewhat contradictory role of accounting. The more creative aspects of corporate accounting conflicted with accounting's role as a corporate watchdog. Skase exploited legal and accounting ambiguities.

After the group collapsed Skase’s vision was revealed as a mirage. The former charismatic leader, became the corporate scapegoat for the 1980s. His own behaviour contributed to this labelling process, which began with the disclosure of the size and number of payments to QGMS. This was exacerbated by his subsequent attempts to evade the Australian authorities and thus evade responsibility for those payments, his avoidance of Donnelly, his bankruptcy trustee, and his use of tax and secrecy havens to hide what the Australian public believed to be his ‘ill-gotten gains’. His death effectively concluded the saga, but he retains ‘the worst public image of all the failed entrepreneurs of the 1980s’. The process of scapegoating shifted public attention away from the state to the individual.

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1 Bulletin 4 May 1993:40-42.

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<tr>
<td>1974</td>
<td><strong>October</strong> Skase (15%) with 4 others formed Team Securities.</td>
</tr>
<tr>
<td>1974-75</td>
<td>Team gained Control of Ladbrooks Ltd &amp; renamed it Qintex Ltd, and appointed Skase chairman.</td>
</tr>
<tr>
<td>1975</td>
<td>Acquired 50.15% of Victoria Holdings Ltd, owners of the Victoria Hotel, Melbourne.</td>
</tr>
<tr>
<td>1976</td>
<td><strong>September</strong> Team acquired a shareholding in Victorian Broadcasting Network Limited.</td>
</tr>
<tr>
<td>1977</td>
<td>Skase left Team taking its 28% holding in Qintex and $75,000.</td>
</tr>
<tr>
<td>1978</td>
<td>Qintex acquired 43% of Lustre Jewellery Limited.</td>
</tr>
<tr>
<td>1979</td>
<td>Qintex Acquired <a href="#">Hardy Brothers Limited</a> for $4m (four times Qintex shareholders’ funds). Skase’s first ‘quantum leap’. Lustre Jewellery holding increased to 51%.</td>
</tr>
<tr>
<td>1980 March</td>
<td>Qintex offered $1.30/share for <a href="#">Hawke (Australia) Limited</a>: withdrew offer later. Qintex offered 3 for 2 of its shares for rest of Lustre Jewellery Ltd or $2.05 cash per share.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DATE</th>
<th>QINTEX LTD</th>
<th>QINTEX AUSTRALIA (INDUSTRIAL AND PASTORAL HOLDINGS)</th>
<th>RESORTS</th>
<th>TELEVISION</th>
<th>QINTEX AMERICA (HARDY BROTHERS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981 April</td>
<td>Qintex profit up 49% in 6 months to 31/1/81.</td>
<td>Qintex acquired its first PML holding (19.73%).</td>
<td></td>
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<tr>
<td></td>
<td>It bought 2 importers:</td>
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<td></td>
<td>B.Moliver Pty Ltd, &amp; Mahdom Trading Pty Ltd.</td>
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<tr>
<td>June</td>
<td>Qintex subsidiary Hardy Bros bought Air New Zealand House, on $50,000 deposit and seven months interest free settlement.</td>
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<tr>
<td>July</td>
<td>Qintex issued 150,000 contributing shares paid to 5c to executives.</td>
<td></td>
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<tr>
<td>Sep.</td>
<td>Qintex failed and attempt to gain 50% of Victorian Broadcasting Network.</td>
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<tr>
<td>Nov.</td>
<td>Qintex acquired 52% of Industrial and Pastoral Holdings Ltd. on 31/12/81.</td>
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<tr>
<td>1982 Jan</td>
<td>Qintex sold Air New Zealand House for $500,000 profit.</td>
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<tr>
<td>Feb.</td>
<td>Qintex acquired a large shareholding in Nettlefolds.</td>
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<tr>
<td>May-June</td>
<td>Qintex appointed new auditors.</td>
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<tr>
<td>Aug.</td>
<td><strong>QINTEX LTD</strong>&lt;br&gt;IPH’s PML holding increased to 30%. It revalued PML’s asset backing from $1.67 to $2.04 a share.</td>
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<tr>
<td>Sep.</td>
<td>Connell defeated Qintex offer for Rothwells.</td>
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<tr>
<td>Oct.</td>
<td><strong>QINTEX AUSTRALIA (INDUSTRIAL AND PASTORAL HOLDINGS)</strong>&lt;br&gt;IPH acquired 93% Welmar Ltd. Reduced to 60%.</td>
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<td>Nov.</td>
<td>Qintex profit in fiscal 1982, up 13.2%, dividend increased from 8c to 8.5c.</td>
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<tr>
<td>Dec.</td>
<td><strong>RESORTS</strong>&lt;br&gt;IPH acquired 2% Mildara Wines Ltd.</td>
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<td>1983 Jan.</td>
<td><strong>TELEVISION</strong>&lt;br&gt;IPH acquired 19% of Telecasters North Queensland Ltd. TNQ board resisted takeover attempt.</td>
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<tr>
<td>May</td>
<td><strong>QINTEX AMERICA (HARDY BROTHERS)</strong>&lt;br&gt;Welmar became Qintex subsidiary; changed name to Hardy Brothers (Group) Ltd.</td>
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<tr>
<td>July</td>
<td><strong>QP</strong>&lt;br&gt;IPH issued 10,000 50c cumulative redeemable preference shares at a premium of $424.40 a share to a financial institution ($4.25m).</td>
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<tr>
<td>July-Oct</td>
<td><strong>July-October</strong>&lt;br&gt;IPH made an offer for 50% Wilkinson Day &amp; Grimes for $1.8m.</td>
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<tr>
<td>Nov.</td>
<td><strong>QP</strong>&lt;br&gt;IPH increased profits in fiscal 1983. 1-for-10 bonus issue and a 1-for-5 rights issue of 50c shares at $1 premium. Interest bill rose from $63,000 to $265,000.</td>
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<tr>
<td>1984 Feb.</td>
<td><strong>QP</strong>&lt;br&gt;IPH acquired 49% of Wilkinsons with partial takeover bid.</td>
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<td>March</td>
<td>Revealed that profits from the sale of investments saved Qintex from trading at a loss in fiscal years 1981-83.</td>
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<tr>
<td>Date</td>
<td>QINTEX LTD</td>
<td>QINTEX AUSTRALIA (INDUSTRIAL AND PASTORAL HOLDINGS)</td>
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<tr>
<td>May</td>
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<td>IPH failed an attempt to takeover Wm Drummond &amp; Co Ltd. Drummond directors against selling.</td>
</tr>
<tr>
<td>July</td>
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<td>PML to sell main assets but retain Maroochydore shopping Centre in Qld.</td>
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<tr>
<td>Aug.</td>
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<tr>
<td>Nov.</td>
<td>Qintex record profit. 1-for 5 cash issue. Sir Lennox Hewitt (former Qantas chairman) joined IPH board. IPH profit up 38% fiscal 1984. It announced a 1-for-10 bonus issue, and 2 for 3 rights issue to raise $10.85m. IPH bid ($1.50) for control of Nettlefolds whose directors fought the bid.</td>
<td>PML to sell main assets but retain Maroochydore shopping Centre in Qld.</td>
<td></td>
<td>A Wilkinson subsidiary gained 40% Horsburgh in takeover bid. Qld Corporate Affairs Commission investigated takeover.</td>
<td>Hardy Bros increased profit in fiscal 1984. It reported an extraordinary but otherwise unexplained loss of $250,000. It made a rights issue.</td>
</tr>
<tr>
<td>Dec.</td>
<td>Victorian Corporate Affairs Office ‘fishing expedition’ in relation to the allotment of shares in Hardy Bros. Skase said Queensland operations (television and, Hardy Bros ) most rewarding.</td>
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<tr>
<td>1985 Jan.</td>
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<td>UTL subsidiary Atabe Pty Ltd acquired shares in AWA which defended itself against takeover.</td>
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<tr>
<td>Date</td>
<td>Event</td>
<td>QINTEX LTD</td>
<td>QINTEX AUSTRALIA (INDUSTRIAL AND PASTORAL HOLDINGS)</td>
<td>RESORTS</td>
<td>TELEVISION</td>
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<tr>
<td>Feb.</td>
<td>Skase celebrated 10 years with Qintex in which its share price rose from 10c to $3. He accepted a 10-year contract. Qintex issued Kahmea 750,000 contributing shares paid to 1c.</td>
<td>Nettlefolds MD Mr D.Braham (also a Qintex director) against offer.IPH issued Qintex Ltd $4.7m in shares. Funds paid to Qintex to settle loans between the two.</td>
<td>Qld government set Port Douglas as site for joint venture resort project.</td>
<td>Feb - May Universal made an offer for Wide Bay-Burnett Television. Wide Bay directors advised against it. UTL increased offer. UTL restructured Horsburghs to hold timber and hardware operations; renamed Sunstate Resources.</td>
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<tr>
<td>April</td>
<td>Peter Burden appointed Qintex in-house legal adviser.</td>
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<td>PML bought land on Southport Spit for hotel.</td>
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<tr>
<td>June</td>
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<td>Universal bought Mackay radio station 4MK.</td>
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<tr>
<td>Aug.</td>
<td>Qintex Ltd made a $47m institutional placement. Skase said Qintex to move headquarters to Queensland.</td>
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<td>Universal bought exclusive rights to television coverage of Expo 88.</td>
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<tr>
<td>Sep.</td>
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<td></td>
<td>PML won tender for Port Douglas resort.</td>
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<tr>
<td>Oct.</td>
<td>IPH gained control of Queensland Merchant Holdings.</td>
<td></td>
<td>IPH transferred its Nettlefolds holding to Hardy Bros, which then bid for the rest of it. Braham resigned as Qintex director, and kept his Nettlefolds holding.</td>
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</tr>
<tr>
<td>Nov.</td>
<td>Qintex profit up 11%. IPH increased profit, and another bonus issue; increased dividend. Then announced a placement.</td>
<td>IPH increased profit, and another bonus issue; increased dividend. Then announced a placement.</td>
<td>Universal 13 month profit $2.5m (from$208,000), no tax, interest up to $2.7m ($454,000), depreciation $1.3m ($560,000). It paid a maiden dividend (4c).</td>
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<tr>
<td>Dec.</td>
<td>Qintex took 75% of the IPH placement costing $22.78m.</td>
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<td></td>
<td>IPH transferred its Nettlefolds holding to Hardy Bros, which then bid for the rest of it. Braham resigned as Qintex director, and kept his Nettlefolds holding.</td>
</tr>
<tr>
<td>1986 Jan.</td>
<td>Qintex head office moved to Queensland.</td>
<td></td>
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<td></td>
<td>Hardy Bros sold Nettlefolds holding at a $3m profit.</td>
</tr>
<tr>
<td>Feb.</td>
<td></td>
<td></td>
<td>UTL acquired Holmes à Court's 5% stake in AWA.</td>
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<tr>
<td>April</td>
<td>IPH's QMH holding up to 33%.</td>
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</tbody>
</table>
May  | QINTEX LTD  | QINTEX AUSTRALIA (INDUSTRIAL AND PASTORAL HOLDINGS)  | RESORTS  | TELEVISION  | QINTEX AMERICA (HARDY BROTHERS)  |
--- | --- | --- | --- | --- | --- |
 |  |  |  | UTL made a formal takeover offer for AWA, and planned to sell radio station 4MK to Mitchell.  |

June  | Australian Ratings gave Qintex a "B" rating raising doubts about its cash flow and weak coverage ratio.  |
 | PML sold Maroochydore shopping centre to QMH.  |

July  | QMH won a $224m Qld government contract for resort development at Airlie Beach. Contract to build Port Douglas Marina in joint venture with council. Lloyds Ships opened sales department at Fort Lauderdale Florida USA. PML to be renamed Mirage Resorts Trust.  |
 | Hardy Bros jewellery business for sale.  |

Oct.  | Qintex recorded 22% profit increase in fiscal 1986. It raised dividend to 11c/share (from10c). It made a 1-for-10 bonus issue, and a 1-for-4 rights issue to follow.  |
 | PML launched Port Douglas project.  |
 | UTL recorded a record $7.5m profit for fiscal 1986.  |

Nov.  | Qintex recorded 22% profit increase in fiscal 1986 giving it an 8:1 debt-to-equity gearing ratio.  |
 | IPH announced a 1-for-10 bonus issue after a 19% profit increase.  |
 | IPH made a rights issue worth $5520,879.  |
 | IPH bid for rest of QMH.  |

Dec.  | Qintex doubled its total debt in fiscal 1986 giving it an 8:1 debt-to-equity gearing ratio.  |
 | PML bought 23% Sea World Property Trust.  |
 | UTL recorded a record $7.5m profit for fiscal 1986.  |
 | Hardy Bros reported a loss of $196,000 in fiscal 1986.  |

1987  | IPH made a rights issue worth $5520,879.  |

Jan.  | Qintex America to buy 35% Hal Roach Studios (Los Angeles). It made two (2) rights issues (1:1, &1:2) worth a total of $6,250,487.  |

Feb.  | UTL Sold its AWA holding at $13m profit.  |
 | Qintex America acquired control of 51% Princeville.  |

March | Sunstate Resources sold.  |

April | IPH bid for rest of QMH.  |
<p>| UTL made takeover offer for Mackay Television.  |</p>
<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>June</td>
<td>PML raised its holding in Sea World to 30%.&lt;sup&gt;77&lt;/sup&gt; UTL acquired Brisbane radio station FM104 for an $50m.&lt;sup&gt;78&lt;/sup&gt; New Federal media laws proposed.</td>
</tr>
<tr>
<td>July</td>
<td>QINTEX LTD QINTEX AUSTRALIA (INDUSTRIAL AND PASTORAL HOLDINGS) RESORTS TELEVISION QINTEX AMERICA (HARDY BROTHERS)</td>
</tr>
<tr>
<td></td>
<td>A report in the media that the group may rationalise five listed companies into one company.&lt;sup&gt;79&lt;/sup&gt; IPH to change its name to Qintex Australia.&lt;sup&gt;80&lt;/sup&gt; Sea World made a contract with Japanese company Nara to build hotel. Gold Coast Council halted construction on resort after it damaged Spit sand dunes.&lt;sup&gt;81&lt;/sup&gt; UTL won Mackay Television with increased offer. It acquired 7 Network for $780m. Sold TV0 to Darling Downs TV for $123m on deferred payment.&lt;sup&gt;82&lt;/sup&gt;</td>
</tr>
<tr>
<td>Aug.</td>
<td>announced a proposed merger between Hal Roach and Robert Halmi Inc, to become Qintex Entertainment Inc.&lt;sup&gt;83&lt;/sup&gt;</td>
</tr>
<tr>
<td>Sep.</td>
<td>QAL began restructuring with share swap offer for UTL. the day before the share market collapsed. QAL to offer for rest of MRT.&lt;sup&gt;84&lt;/sup&gt; Sheraton Mirage Gold Coast opened for business.&lt;sup&gt;85&lt;/sup&gt;</td>
</tr>
<tr>
<td>Oct.</td>
<td>Port Douglas hotel opened. Secured site for resort at Airlie Beach. MRT condominiums on market with a high demand.&lt;sup&gt;86&lt;/sup&gt;</td>
</tr>
<tr>
<td>Nov.</td>
<td>Qintex tripled as a company in 1986-87, its assets grew from $325m to $982m (resorts under construction from $30m to $236m). Its debt levels more than doubled to $537m: its shareholders funds were under $400m. Deduction of minority interests left gearing ratio of 11:1 at balance date. Debt increased across the group.&lt;sup&gt;87&lt;/sup&gt;</td>
</tr>
<tr>
<td>Dec.</td>
<td>Skase officially launched 7 Network under the name Australian Television Network.&lt;sup&gt;88&lt;/sup&gt;</td>
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<tr>
<td>1988</td>
<td>March</td>
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<td></td>
<td>April</td>
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<td>Month</td>
<td>QINTEX LTD</td>
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<tr>
<td>May</td>
<td>Qintex shareholders approved the placement of 4.156m non-voting cumulative, convertible, redeemable, unlisted, preferences with FAI at $5 per share. Skase retained an option to purchase 51% of any shares converted.</td>
</tr>
<tr>
<td>June</td>
<td>FAI increased its Qintex holding to 12.9%, with the potential for 19.9% from the preferences.</td>
</tr>
<tr>
<td>July</td>
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<tr>
<td>Aug.</td>
<td>Sold Hardy Brothers' jewellery business. FAI increased its Qintex holding to 12.9%, with the potential for 19.9% from the preferences.</td>
</tr>
<tr>
<td>Sep.</td>
<td>Skase, through Charmead, bought 12 London theatres from Bell group, exercising an option signed by Holmes à Court in July, which he later sold back to Holmes à Court. He &quot;was a front man for a period&quot;.</td>
</tr>
<tr>
<td>Oct.</td>
<td>Qintex to buy QAL shares to bring its holding back over 51%.</td>
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<td>QINTEX LTD</td>
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<tr>
<td>Nov.</td>
<td>Sir Leo Hielscher, former Queensland Government under-treasurer, and Mr Ted Harris, chairman of Australian Airlines (former md Ampol Ltd ), joined QAL board.</td>
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<tr>
<td>1989 Jan.</td>
<td>Richard Capps, said that they had created an operation which was very profitable and had a very strong capital growth outlook. FAI increased its holding to 16.5%.</td>
</tr>
<tr>
<td>Feb.</td>
<td>Rumours circulated in the media about debt restructuring.</td>
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<tr>
<td>March</td>
<td>QAL sold old 49% of its three resorts to Japanese companies Mitsui and Co Ltd and Nippon Shinpan Ltd (24.5% each) for $433m, which was supposed to have reduced gearing to about 25% of total assets of $2.4b. QAL negotiated debt refinance: two major funding facilities - total $850m - (See Appendix 1) plus the $433m from the resorts gives it $1.28b of which $1.05b to be used immediately. Australian Ratings lifted its ratings 2 levels. QAL January half: claimed increase in consolidated operating profit to $28.68m ($16.24m year before): interim dividend rose 1.5c to 9c. Claimed turnover up 68% lift to $302.78m (previous $180.21m). QAL sold Sea World holding to Peter Laurance's Pivot Group for $73m, which included transfer of mariner's Cove (next door to Marina Mirage).</td>
</tr>
<tr>
<td>April</td>
<td>ABT to include FAI purchase of Qintex group shares in its hearing, ABT chairman said Qintex group clearly breached the limit.\textsuperscript{112} Qintex group to buy MGM/UA, from Kirk Kerkorian. • Qintex to pay $US20/share (&gt;$1b) for all outstanding shares in MGM/UA, • then sell Kerkorian the rights to the MGM name and its lion trademark, as well as MGM/UA's television production operations and the company's headquarters building in Beverley Hill for $US250m; MGM to invest $US75m in Qintex. The effective cost of the MGM/UA deal will about $US600m. $US1b less $US250m from Kerkorian for MGM name, etc. $US75m Kerkorian to invest in Qintex Group and UA held $US75m cash. Evans suggested would need 50% debt and 50% equity. UA carries $US400m junk bonds.\textsuperscript{113}</td>
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<tr>
<td>May</td>
<td>Qintex Ltd 1/2 year results (31/1/89) interest charges up to $65.53m (from $36.66m). Qintex Ltd claimed net profit up to $7.54m from $5.02m Pre-tax profit up 136% to $25.48m (from $10.76m). Debt up to $1b, giving a debt to equity gearing of 190% as the group's media and leisure interest expanded. It showed a bottom line 50% increase to $7.4m and earnings/share increased 114.3% to 48c.\textsuperscript{114} QAL refused to give details the sale 49% of the Mirages, and how much of proceeds was actually due to the remaining 54 MRT unitholders.\textsuperscript{115} MRT de-listed on 5/5/89. TVW7 incurred a substantial penalty when it paid its 1989 broadcasting fee three months late. The fee was $3m and plus a penalty payment.\textsuperscript{116}</td>
</tr>
<tr>
<td>June</td>
<td>June / July QAL share price dropped steadily. Remaining MRT unitholders disenfranchised.</td>
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<tr>
<td>July</td>
<td>Skase claimed expressions of interest in Tokyo and Europe meant that the equity component of the MGM/UA buyout (through the sale of shares in QEI) would be lifted to about 70%.\textsuperscript{118} Qintex announced plans to buy a California tourist development $175m ($US131m) from a group of US investors.\textsuperscript{119} Announcement plans to sell SAS7 Adelaide to reduce audience reach below the 60% limit.\textsuperscript{121}</td>
</tr>
<tr>
<td>Aug.</td>
<td>Skase confident that funding for MGM/UA would be arranged by 3/9/890. Skase claimed that a group of 10 Asian and European investors would take combinations of common and preferred stock at $US5/share to raise $A$659.20m, and the Qintex group would purchase 20m common shares for $A$131.84m.\textsuperscript{120}</td>
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</table>

\textsuperscript{112} April 11/12

\textsuperscript{113} May 11/12

\textsuperscript{114} June 11/12

\textsuperscript{115} July 11/12

\textsuperscript{116} August 11/12

\textsuperscript{117} August 11/12

\textsuperscript{118} August 11/12

\textsuperscript{119} August 11/12

\textsuperscript{120} August 11/12

\textsuperscript{121} August 11/12
<table>
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<tr>
<th>Date</th>
<th>Event Description</th>
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</table>
| Sep. 1/9/89-6/9/89 | MGM/UA set September 23 for special meeting to approve the sale to Qintex.  
Capps said funding for MGM purchase organised: to comprise $US700m common stock and preferred stock and about $US185m to be supplied by unnamed banks (2 US, 1 French, 1 Japanese and 1 UK).  
ASX queried QAL about falling share price ($1.50 in April '89, 93c on 1/9/89, 63c on 4/9/89, 88c on 5/9/89). General market concern about gearing and scepticism about its reported net profit of $28m in 1988. Fall possibly connected with 10 Network write down and firesale.  
Campbell said 7 Network would not lower asset values after 10 fire sale. Lower values would create an extraordinary $500m loss and hinder fundraising.  |
| 9/9/89 | Australian television networks tried to lower costs of US programs.  |
| 11/9/89 | Qintex Media BV, the group's vehicle for the acquisition of MGM/UA Communications Co, claimed to have arranged a credit facility totalling $US400m, with 8 years maturity to cover a part of the initial acquisition cost and ongoing working capital, through a group of international banks, including major Japanese, European and US banks lead-managed by Bank of America, Citibank and Barclays Bank PLC, and managed by Crédit Lyonnais.  |
| 14/9/89 | Rupert Murdoch made $US1.35b cash counter offer for MGM/UA, whose shares rose on the by $US1.50 to $US21.25 on the NYSE.  |
| 15/9/89 | Reports of a North Queensland tourism slump.  |
| 17/9/89 | MGM accepted Qintex $US1.45b ($A2b) offer for all of MGM/UA. To be sealed with a $US50m letter of credit (from Barclays Bank USA).  |
| 18/9/89 | Qintex group reported to be juggling debt on several fronts.  
1. Negotiating a $US400m debt facility to fund Princeville redevelopment.  
2. The original raising for the MGM Purchase included a QAL investment of only $US50m, without Kerkorian investment QAL needed at least $US125m to retain 42% QEI.  |
| 19/9/89 | Skase reported to have bought a house in Bel Air.  |
| 21/9/89 | Claim that European and Japanese equity partners have agreed to increased equity for MGM/UA.  |
| Oct. 2/10/89 | Qintex released unaudited management accounts to US analysts, which it claimed would be confirmed with formal annual reports to the ASX later in October. These accounts claimed a QAL profit of $753m in fiscal 1989 (up 28%) including $US97.7m from QEI. Tax payable was $2.3m (previously a tax credit of $292,000) and the minority interest was $6.4m. Group assets rose to $3,173m (up $792m), and net assets rose to $1.035b (up $309m). Total liabilities increased by $483m to $2.138b (including $344m in short term loans). The accounts show a $142m increase in current secured bank loans payable in US dollars, $81m in unsecured bank loans repayable in Japanese Yen, and $110m in secured non-current loans repayable in US dollars.  |
| 4/10/89 | QAL’s low share price (50c on 3/10/89; 47c on 5/10/89), valued Qintex Ltd’s holding at $44.39m (in the 1988 accounts at $158.12m or $1.80/share). Skase said everything was fine when asked, through his secretary:  
• whether a deposit was due and payable on the MGM deal on Monday US time, and  
• whether a rescue package had been put together in London on 29/9/89 to try to raise less than $25m.  
Analysts suggested possible reasons for decline were:  
• doubt over funding for MGM,  
• possible impact of Pilot’s strike,  
• 10 Network’s fire sale lowered ATN’s perceived value.  |
| 5/10/89 | The Hover Mirage between Brisbane airport and the Gold Coast closed on 18/9/89 blaming dwindling passenger numbers caused by the airline dispute. Qintex Started negotiations to sell hovercraft overseas.  |
| 5/10/89 | Qintex released further details of its MGM deal in an attempt to support share price. It claimed that its involvement, outside QEI which was to merge with MGM, would be $US125m to $US150m equity some of which was capitalisation of existing loans, plus a maximum of $US50m ‘incremental liability’ for QAL. This suggested that although both QAL and MGM would be highly leveraged, QAL’s degree of leverage and risk would not necessarily increase. It claimed that QAL’s role was primarily that of coordinator. QAL said it was examining additional financing requests which had been made by MGM. It told ASX that it had been asked to lift its financial commitment to the deal.  |
| 5/10/89 | QAL had not provided the letter of credit. Crédit Lyonnais was believed to be wary about Kerkorian's negotiating style; new 31/12/89 deadline.  |
| 7/10/89 | MGM said Qintex not delivered the $US50m letter of credit, but Qintex told MGM it had posted security for it to a bank. MGM and Qintex discussed possible modifications of the merger agreement concerning the security from Qintex, which raised doubts about the deal. QAL arranged further talks on 9/10/89 with MGM/UA after it failed to deliver letter of credit, which was due on 15/9/89.  |
| 10/10/89 | Qintex sued US casino group Golden Nugget Inc for using the Mirage name for its new hotel-casino in Las Vegas.  |
| 11/10/89 | Qintex's deal to buy MGM/UA ended with both parties taking legal action. MGM/UA sued Qintex for $US50m charging breach of contract and fraud. Qintex sued MGM/UA for damages.  |
13/10/89 Qintex Ltd shares dropped 35c to close at $3; QAL’s also fell. 140

13/10/89 John Tabart conceded that pilots strike had halved occupancy rates to about 40% for both Port Douglas and the Gold Coast resorts (which needed 55% to break even), but said that they were performing on track. Condominium sales were satisfactory. 141

13/10/89 Ramcorp's proposed $110m purchase of the two regional stations collapsed, after the collapse of the New Zealand merchant bank DFC NZ Ltd. 142

13/10/89 A spokesman for National Broadcasting Company (NBC), revealed that it had expressed interest in becoming an equity investor in MGM. 143

13/10/89 QEI’s over the counter share price fell $US1.50 to $US4 over fears that it would be involved in legal action. It issued a statement denying any connection with financing the deal, or with the lawsuit. Its formal involvement would have begun after QAL had finalised the acquisition. 144

16/10/89 The market was concerned about the group’s debt, which a Capel Court Powell analyst estimated exceeded $1100m (including unsecured notes), with a $300m cash flow deficit. QAL directors, however, claimed it would have a $50m profit in fiscal 1989 and pay an 18c dividend. Skase claimed debt was $800-$850 on 31/7/89. 145

16/10/89 Campbell said ratings had improved and ATN would raise its advertising rates by 20% in 1990. 146

19/10/89 Declining QAL share prices created a $100m deficit in Qintex Ltd shareholders funds (35c/share on 19/10/89 capitalised Qintex Ltd at $31m). It claimed group assets were worth $2.4b+. Qintex Ltd’s 88.8m QAL shares, were on its books at $1.59m, with $34m other assets. 147

20/10/89 MGM filed another lawsuit for $US20m damages. 148

21/10/89 QEI filed for a chapter 11 bankruptcy for itself and two subsidiaries, Hal Roach Studios Inc and Qintex Productions Inc; because QAL had not secured refinancing of its borrowings. This allowed it to continue trading without having to meet creditors demands. 149

21/10/89 QAL said that it had re-evaluated its position as a major QEI shareholder since negotiations with MGM collapsed, and had decided to minimise the degree of further loans to QEI. It said that the chapter 11 was filed as a legal protection from creditors due to a funding shortfall. 150

23/10/89 QAL’s inability to raise the $US5.9m for QEI raised doubts about its future. 151

23/10/89 ASX asked QAL how QEI’s chapter 11 affected it. Qintex's major Australian shareholders (FAI, AMP, QTC), increasingly nervous about its future, sought more information in vain. The NCSC appraised QAL’s situation to determine ‘whether the market has been properly informed. Skase remained unavailable for comment. 152

24/10/89 ASX suspended QAL and Qintex Ltd at the close of trading after the share prices of both companies had collapsed, (QAL fell to 16c) and they failed to answer ASX queries about their financial position. 153

24/10/89 QAL announced a restructuring and more asset sales, including the rest of the Mirage resorts, the Adelaide tv station and the two regionals. QAL to merge with Qintex Ltd to reduce administrative costs. 154

24/10/89 Skase blamed four factors for QAL’s problems:
• the collapse of the MGM/UA deal and the resulting impact on QEI,
• high Australian interest rates,
• fall in resort attendance due to the domestic airline pilots’ strike,
• the collapse of the previously announced sale of two Queensland regional TV stations. 155

24/10/89 It was revealed that QGMS, controlled by QAL executives, charged QAL $32.6m for ‘management services and expenses’. Two directors resigned from QAL’s board in disagreement over the payment. Hong Kong Bank-controlled bank Wardley Australia Ltd, the organiser of the $650m syndicated credit facility questioned Qintex about QEI. QAL had not completed the $US400m refinancing of its Princeville resort. It had a $US85m State Bank of NSW bridging loan. QAL said it had unsecured and interest-free loans of $US38.09m ($A49m) outstanding to QEI and held equity of $A83m. Bankers held meeting to decide the fate of the Qintex assets. 156

364
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
</table>
| 25/10/89   | NCSC began investigating the payment of $32.6m to QGMS. It expanded routine inquiries to include discussions with the group's auditors Duesburys, which had not revealed any irregularities at that point. Skase had talks with Wardley. He was involved in a car chase through Sydney as he evaded the press. ASX Brisbane urged Qintex group make a full financial disclosure in its reply to its questions, which were: • State whether directors believed the group was solvent and able to meet its financial commitments. • Provide details of the bankers’ meeting. • Advise whether there are any other payments due to a private company controlled by Qintex directors besides the $32.6m already disclosed. The Wardley led senior banking syndicate failed to finalise arrangements to maintain lending after two days of talks in Sydney, they met again 25/10/89. Non-syndicate banks were not yet organised into negotiating group.  
26/10/89   | Australian Ratings cut Qintex credit rating from BB- to CCC (its second lowest rating). The banking syndicate appointed two Peat Marwick Hungerfords partners, Mr John Allpas and Mr David Crawford, to assess Qintex finances and assist restructuring. The banks undecided about providing a further $50m working capital.  
27/10/89   | Skase admitted the sale of the two regional stations had collapsed as Ramcorp could not raise the finance (because of the collapse of DFC). He said they would be sold soon and that despite a $200m cash flow deficit QAL could meet its financial commitments with bank support. Skase conceded that QAL had provided guarantees to QEI for loans above the than the $49.6m already disclosed. Skase revealed that QAL had paid QGMS another $9.5m since the end of its financial year. Separate meetings were arranged for banks other than the senior syndicate to include Chase AMP and DFC which held the $200m subordinated debt attached to the main facility and Bank of New Zealand, and the State Bank of Victoria. Qintex was also under pressure to meet with major shareholder and holders of other securities, such as convertible notes.  
30/10/89   | Doubts raised about the realisable value of Qintex group assets. Debts becoming more evident. Qintex executives evaded pressure from bankers to place the group into voluntary liquidation.  
31/10/89   | Senior syndicate banks undecided about the group's future but granted a $20m to cover operating expenses for the next fortnight. The NCSC to mount a full scale investigation into the payment of $41m to QGMS. Qintex failed to meet several payments when due including $85m bridging finance for the Princeville renovations owed to ANZ.  
Nov. 1/11/89 | Qintex failed to supply reports by ASX scheduled date. Suggestions that second tier, and unsecured lending banks may not be repaid. Lenders not sure that assets worth Qintex’s valuations. Three quarter accounts filed with SEC by QEI indicate that QAL had provided about $A122m. Reported that NCSC had asked Qintex for assurances on solvency on 29/10/89. Two ATN directors resigned from individual boards, because of uncertainty over their futures. The boards of each of the ATN stations held a telephone hook-up meeting 30/10/89 attended in Sydney by representative of Qintex's creditor banks. QAL failed to repay a $US85m ($A100m) bridging loan to the State Bank of NSW, but the bank did not take immediate action.  
2/11/89    | All Qintex bankers meeting scheduled for 2/11/89 to decide its future. Banks complained that they were not receiving information from Qintex. Skase 'hid out' at the Gold Coast Mirage trying to sort out the Qintex muddle, he would not talk to reporters. There was a car chase in Sydney, on the way to the banks, and one in Brisbane on the way to a meeting with Jim Kennedy chairman of the QTC as he tried to evade reporters. He also met Henry Boesch and Rodney Adler in Sydney on 27/10/89. These meetings finished at 8.00pm he then returned to Brisbane for more meetings that night before returning to the Gold Coast. A group of prominent Australians including Derryn Hinch, Greg Norman, Nicholas Whitlam, and some senior advertising executives, most of whom had business connections with Skase signed an advertisement "Australians support Qintex" in AFR. Seven network was due to received $30-40m in advertising revenue on 15/11/89, which would repay the $20m short-term loan advanced by the bankers at the end of October.
3/11/89 Qintex $1.2b sell off plan:
- Smaller investments such as Mariner's Cover were expected to raise at least $150m (there was also the proposed development of Sailport marina and included $150m debt attached to the properties) later in November FAI exercised its rights of security over Mariners Cove on the Gold Coast and Sailport Marina and took control of both properties.
- Land and buildings (including Mirage Resorts Trust) $1.1b. This figure was inflated by the inclusion of the full value of Qintex's 51% of the trust.
- Television licences (five metropolitan and two Qld regional) $900m.
- Cash and receivables - nil cash and $400m receivables.
- Other current assets (including program rights and sundry debtors)- $500m.
- Investment and other non-current assets (including 42% QEI) - $200m.
- Gross asset figure included another $100m.

3/11/89 The State Bank of NSW gave Qintex 14 days in which to repay the $US85m bridging loan or risk losing Princeville Resort.

4/11/89 State Bank of Victoria, through Tricontinental, had a $300m exposure to Qintex and Interwest, believed to have been secured on shares of the two companies. Qintex shares fell from $3.05 to $1.05 in a week and were suspended on 23/10/90.

The NCSC requisitioned documents relating to the $41m payments to QGMS under a section 12 notice.

6/11/89 Campbell announced that ATN would negotiate to reduce the price paid for overseas programmes. He said that some local suppliers had not been paid over the last two weeks. He admitted that ATN’s fiscal 1988 $42m profit had not included interest and tax payments, which ‘lowered the results dramatically’. He hoped that the Adelaide station would be sold by the end of November for $52m. The two Queensland regionals were again for sale.

Qintex lost the second part of the Dana Point property in California, including $US15m to $US20m in deposit and option fees, when it failed to pay its quarterly option fee.

7/11/89 Skase admitted that the group's cash flow had been cut by $250m, not the $200m previously stated.

8/11/89 QAL released a statement that the QGMS payments were ‘entirely proper’, and were subject to an approval process in accordance with the company's articles of association, and had been independently assessed as reasonable.

11/11/89 Watkins Pacific (Qld) Pty Ltd claimed $496,638 owing on Skase’s Brisbane house in Brisbane Supreme Court.

15/11/89 QAL planned to call shareholders meeting to approve the payments to QGMS.

16/11/89 Mr David Crawford’s report for Qintex's bankers, released on 15/11/89. It suggested three possible options for the bankers, all excluded Skase;
- an informal scheme of arrangement,
- a court appointed scheme of arrangement, or
- receivership.

Crawford said that QAL loans to Qintex Ltd more than doubled to $49.8m in 1988-89, and that QAL invested another $80m in Queensland Merchant Holdings.

The Australian Broadcasting Tribunal was concerned that foreign banks, which held much of QAL's debt, might control its tv licences.

17/11/89 QMH revealed as Brisbane Bears football club’s main source of finance.

18/11/89 Skase resisted banks’ attempts to put Crawford in charge.

20/11/89 Report that two of senior banks opposed to a moratorium.

21/11/89 In an attempt to save what he could from the crash Skase applied to the Victorian Supreme Court for the appointment of a receiver to QAL and 28 of its Pty subsidiaries. He nominated KPMG Peat Marwick Hungerfords as receiver-manager, with its approval. Charlton said that the Commonwealth Bank had prevented the implementation of the moratorium. By 17/11/89 28 of the 30 banks had agreed to a moratorium; the Commonwealth and Barclays Bank objected and Barclays indicated that it would agree to if the Commonwealth did. Nippon Shinpan joined the list of known creditors which held loans on which Qintex had reputedly defaulted. Qintex defaulted on repayments to Nippon Shinpan as a result of previously unannounced loans and side arrangements that accompanied the purchase of 49% of the Mirages. Development work was stopped at the Princeville resort in Hawaii; 300 construction workers were sent home.

22/11/89 Mr justice Cummins in the Victorian Supreme Court appointed Mr David Crawford and Mr John Allpass of KPMG Peat Marwick and Hungerford receivers and managers of QAL and 28 associated companies on 21/11/89.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>23/11/89</td>
<td>The appointment of receivers placed a barrier between the senior bank lenders and the companies within the group which held the television licences. The lenders did not hold security over the licence companies, but had a charge over the shares of the companies which owned the capital of the TV licence companies, and in some cases further up the chain. It also pre-empted any move by the banks to take control of their security within the TV ownership chain. ATN developed innovative sales method for Barcelona Olympic games. The ABT wanted to ensure ATN stayed on air. The Broadcasting Act carried no provision for receivership.</td>
</tr>
<tr>
<td>24/11/89</td>
<td>Crawford indicated that he needed more time to assess the Qintex group and file his statement.</td>
</tr>
<tr>
<td>27/11/89</td>
<td>Skase sold his Brisbane house for $5m, according to the Brisbane <em>Sun</em> newspaper. A Queensland titles office search indicated that ANZ Bank held a mortgage for an undisclosed amount on the house, registered in joint Skase and Pixie's names. Skase personally guaranteed about $96m of Qintex group debt, mostly for Qintex Ltd and Kahmea.</td>
</tr>
<tr>
<td>Dec.</td>
<td>The Qintex receiver, Mr David Crawford, asked the senior syndicate for a further $40m in working capital to see the group through until March.</td>
</tr>
<tr>
<td>4/12/89</td>
<td>The ABT dropped its inquiry into Skase and Kaycliff after private meetings with the receiver Mr Crawford.</td>
</tr>
<tr>
<td>5/12/89</td>
<td>Master Don Horton ordered Skase to appear at the Lloyds liquidator’s hearing in the Brisbane Supreme Court to answer questions about his luxury motor vessel Mirage 111. He also ordered Richard Capps and Peter Burden to appear. The dispute involved the provisional liquidators to Lloyds. Ownership of Mirage 111 was questioned. Nippon Shinpan Co Ltd of Tokyo issued a writ in the Brisbane Supreme Court against Qintex Ltd, and Skase asking for the repayment of a loan of $75m plus $1.74m interest. Nippon Shinpan lent 8.5b Yen to Qintex Japan KK on 28/7/89. Skase and Qintex guaranteed monthly interest payments at 15% per year and to repay the loan on 30/4/90. The October interest payment of $900,000 was not paid.</td>
</tr>
</tbody>
</table>
| 6/12/89   | The NCSC decided that QAL was in the hands of the receivers not the shareholders which removed the necessity for QAL shareholders to vote on the payments to QGMS, and that the receivers should make every effort to retrieve the unauthorised payments, which were group’ assets. The group had a monthly interest bill of about $25m ($300m/year), composed of:  
|           | • $19.4m on $1.4b secured debt,  
|           | • $1.6m on $304m unsecured debt,  
|           | • $620,000 for the QMH debt,  
|           | • $1.6m for the State Bank of South Australia,  
|           | • $1.7m on convertible notes. |
| 9/12/89   | The receivers and managers Mr David Crawford and Mr John Allpass announced that they would call for ‘expressions of interest from all parties interested in either acquiring, or participating in an acquisition of, the Australian Television Network’. |
| 19/12/89  | Crawford went to Japan to discuss the future of the Mirage resorts with the equity partners. While he was away an application was made to the Victorian Supreme Court for a further extension of the statutory deadlines for the delivery of the receiver’s report on the affairs of Qintex Australia. |
| 21/12/89  | The QAL receivers announced an attempt to ‘recapitalise’ and restructure ATN ‘through a substantial equity and debt-raising’. |
| 23/12/89  | John Tabart, Mirage Resorts chief executive, said the State Bank of South Australia had to replaced and extend existing loan facilities with a $40m loan facility to Mirage resorts to continue operations. The receivers stressed that the resorts were not in receivership, they were independent and controlled by the resorts’ management on behalf of the shareholders. |
| 31/12/89  | Skase was reported to have been involved in a ‘violent scuffle’ with a *Sunday Mail* photographer near the Gold Coast Mirage on 29/12/89. It was reported to the police. |
| 1990 Jan. | ATN signed its contract with the International Olympic commission to televise the 1992 Olympic Games. Receivers took a party of 70 people to Port Douglas for the weekend, which coincided with a Super Skins golf tournament to ‘value the operation for its sale’. Receivers advertised ATN in London’s *Financial Times* without mentioning foreign ownership limits. Queensland Supreme Court dismissed action by Travinto Premises Pty Ltd, which held lease of QAL’s office space, to have QGMS wound up. |
| Feb.      | Minister for Transport and Communications Willis announced that the government would legislate to close a loophole in the Act which would have allowed the receivers to circumvent the Act’s foreign ownership restrictions in order to extract maximum value for ATN. |

From that point the salient features in the Skase/Qintex history revolved around the receivers’ attempts to recoup the maximum amount from the sale of the group’s assets, and Skase’s bizarre attempts to evade any responsibility. The extent of the group’s debt was revealed in the next five months. Eventually the various group companies were connected with a total of five bankruptcies each with a separate receiver, QAL November 1989 (Allpass and Crawford), Lloyds Ships Holdings Pty Ltd November 1989 (Mr Ernie Harris and Mr Wilson Wilde of Coopers and Lybrand), Qintex Group Management Services, Arbreau Ltd and
1. SMH 14/11/87:84.
2. AFR 24/3/80: 40.
5. AFR 9/7/81:45.
7. AFR 9/12/81: 63.
9. Age 14/1/82: 15. AFR 14/1/82: 27; 15/1/82: 45.
10. AFR3/2/83:42.
14. AFR 1/10/82:79; 6/10/82:45.
17. AFR10/12/82:67.
22. AFR 13/7/83:49.
23. Age 26/7/83:29. AFR 20/10/83:43; 24/10/83:36.
24. AFR 13/7/83:49.
30. AFR 21/3/84:60.
38. AFR 4/12/84:58.
84 Australian 23/9/87:19.
89 Age 9/1/88:27.
90 Australian 9/1/89:28.
91 Age 1/10/88:27. SMH 1/10/88:29.
Age 18/11/89:25.
Australian 20/11/89:18.
Australian 22/11/89:1.
SMH 24/11/89:27.
AFR 27/11/89:23.
SMH 1/12/89:29.
SMH 6/12/89:45.
Age 9/12/89:25.
SMH 19/12/89:29.
Age 21/12/89:17.  AFR 21/12/89:14.
The Sunday Age 31/12/89:3.
CM 10/1/90:1; 13/1/90:31.
Re Lloyd’s Ships Holdings Pty Ltd: Public Examination held at Brisbane in the District Court before Judge Miller QC 19/3/90; transcript p10.
Following an application by QAL’s receivers for a debt owed by QGMS. At that time QGMS books and records were in the hands of the Queensland Corporate Affairs Commission. At that point Skase was the company’s only director, which gave it ‘statutory problems’. CM 7/9/90:23.
This followed legal actions by Charlton and Charlton to recover $447,000 in/3/90, and the US television production house Lorimar Telepictures Corp which joined the action in/7/90 demanding $US4.6m ($A5.56m). AFR3/9/90:16.
## Appendix 2 Capital Growth and expansion

Qintex Ltd [parent (p) Consolidated (c)]

<table>
<thead>
<tr>
<th>Year</th>
<th>paid up capital</th>
<th>share capital &amp; reserves/ shareholders’ funds</th>
<th>Liabilities</th>
<th>Profit (Loss)</th>
<th>Surplus on the sale of investments</th>
<th>earnings/share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>$510,682</td>
<td>$520,353</td>
<td>$86,663</td>
<td>$22135 (after $21,103 tax, became -$80,953 after –$103.88 extraordinary loss)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1976</td>
<td>$510,682</td>
<td>$556,160</td>
<td>$67,052</td>
<td>before extraordinary items $9,653 (after $8657 tax) after extraordinary items $31,355</td>
<td>n/a</td>
<td>1c</td>
</tr>
<tr>
<td>1977 (commenced consolidation)</td>
<td>$510,682</td>
<td>$599,122(p)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$599,122(c)</td>
<td>$228,840(p) $275,640(c)</td>
<td>$37,699(p); $37,699(c) (after $15481 tax &amp; $1920 mining operations loss)</td>
<td>after extraordinary items (incl.FITB) $42,962(p); $42,962(c)</td>
<td>$43,550(p); $43,550(c)</td>
</tr>
<tr>
<td>1978 qualified</td>
<td>$544,229 + contribs.</td>
<td>$977,805(p)</td>
<td>$966,853(c) (Grp. Cap.funds $977,805(p) $966,853(c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$804,083</td>
<td>$32,830(p) $146,965(c)</td>
<td>$92,389(p) after $186 tax $81,437 (c) after $224 tax after extraordinary items (incl. FITB) $86,702(p) $75,750(c)</td>
<td>$71,955(p); $117,998(c)</td>
<td>1c</td>
<td></td>
</tr>
<tr>
<td>1979 qualified</td>
<td>$1,063,937 + contribs. $1,073,937</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,343,832(p); $1,638,775(c) (Grp. Cap.funds $1,343,832(p); $2,044,050(c)</td>
<td>$3,349,745(p) $4,510,408(c)</td>
<td>$96,173(p) after $232 tax $325,186 (c) after $126,991 tax after extraordinary items (incl. outside shareholder) $96,173(p); $272,897(c)</td>
<td>$0(p) $173,362(c) (or $50(p); $176,955(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>$1,333,787</td>
<td>$1,830,387(p) $2,872,602(c)</td>
<td>$982,514(p) $3,134,476(c)</td>
<td>$65,552(p) after $3,121 tax $628,854 (c) after $287,676 tax no extraordinary items no outside shareholder</td>
<td>(-$38(p) $296,481(c) (or $0(p); $285,243(c)</td>
<td></td>
</tr>
<tr>
<td>1981 qualified</td>
<td>P$1,396,521</td>
<td>$2,245,648(p) $3,137,077(c)</td>
<td>$228,853(p) $9,440,158(c)</td>
<td>$486,155 (p) after $2625 tax $786,750(c) (after $237,966 tax) qualified, overstated consol. operating profit by $145,235) (group net profit $787,000</td>
<td>$3,598(p) $1,509,396(c)</td>
<td></td>
</tr>
</tbody>
</table>

1. qualified
2. overstated
3. consolidated
4. qualified, overstated
5. consolidated
6. qualified
7. consolidated
8. qualified, overstated
9. consolidated
10. qualified, overstated

11. revised for charitable donation to the Mining Industry Trust.
12. qualified, overstated

*Note: FITB = Federal Income Tax Benefit*
<table>
<thead>
<tr>
<th>Year</th>
<th>Group Profit</th>
<th>Group Capital Funds</th>
<th>Group Shareholders’ Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>$1,469,983</td>
<td>$2,049,478(p)</td>
<td>$4,091,468(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$9,652,257(p)</td>
<td>$12,171,641(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$(-125,866)(p)</td>
<td>$890,482 (after $115,267 tax credit)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$827,378(c)</td>
<td>$63,104 entitlement of preference shareholder in a subsidiary company, no extraordinary items</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5,340,900</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$9,652,257(p)</td>
<td>$12,171,641(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,469,983</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$357,619 arising from realisation of a subsidiary company’s investment portfolio post acquisition.</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>$1,556,907</td>
<td>$3,265,958(p)</td>
<td>$4,041,776 (c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$7,959,908(p)</td>
<td>$11,056,551(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$(-125,866)(p)</td>
<td>$890,482 (after $115,267 tax credit)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$827,378(c)</td>
<td>$63,104 entitlement of preference shareholder in a subsidiary company, no extraordinary items</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5,340,900</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$9,652,257(p)</td>
<td>$12,171,641(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,469,983</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$357,619 arising from realisation of a subsidiary company’s investment portfolio post acquisition.</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>$2,176,000</td>
<td>$9,251,000 (p)</td>
<td>$43,515,000 (c) [or $44,657,000]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,405,000 (p)</td>
<td>$71,017,000 (c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$980,000(p)(no tax)</td>
<td>$2,436,000 (c) (after $35,000 tax)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$961,000 (c) (after $1,011,000 minority shareholders interest &amp; $429,000 entitlement of preference shareholder in a subsidiary company) [group $2,401,000]</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$(-16)(p)</td>
<td>$7,883,000(c)</td>
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<tr>
<td></td>
<td></td>
<td>$3,000(p)</td>
<td>$4,420,000(c)</td>
</tr>
<tr>
<td>1985</td>
<td>$2,798,000</td>
<td>$13,041,000(p)</td>
<td>$73,748,000 (c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$7,416,000(p)</td>
<td>$134,780,000(c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$81,903,000(p)(no tax)</td>
<td>$5,465,000 (c) (no tax)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,067,000(c)(after $3,617,000 minority shareholders interest &amp; $781,000 entitlement of preference shareholder in a subsidiary company) [group $5,465,000]</td>
<td>Group net profit $1,140,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$3,000(p)</td>
<td>$4,420,000(c)</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
<td>Notes</td>
<td>Notes</td>
</tr>
<tr>
<td>----------</td>
<td>--------------</td>
<td>-----------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>1986</td>
<td>$3,653,000</td>
<td>Group capital funds $21,214,000(p) $96,182,000(c) shareholders' funds $19,991,000</td>
<td>$6.983m (c) [loss on sale of investments $139,000(c)] 18c</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$97,030,000 (p) $229,452,000(c)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,567,000 (p) (no tax) $6,226,000 (c) (no tax) $1,301,000 (c) (after $4,618,000 minority shareholders interest &amp; $307,000 entitlement of preference shareholder in a subsidiary company) [group $6,200,000]</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,301,000 (c) (after $4,618,000 minority shareholders interest &amp; $307,000 entitlement of preference shareholder in a subsidiary company) [group $6,200,000]</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>$5,930,000</td>
<td>$34,515,000(p) $397,351,000 (c) shareholders' funds $44,539,000</td>
<td>$15.331m(c) [loss on sale of investments $610,000] 21c</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$97,233,000 (p) $584,853,000(c)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,090,000 (p) (no tax) $8,512,000 (c) (after $24,000 tax) $2,027,000 (c) (after $6,461,000 minority shareholders interest &amp; no entitlement of preference shareholder in a subsidiary company) [group $8,500,000]</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,027,000 (c) (after $6,461,000 minority shareholders interest &amp; no entitlement of preference shareholder in a subsidiary company) [group $8,500,000]</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>$8,934,000</td>
<td>$551,236,000 (c) shareholders' funds $551,000,000</td>
<td>Surplus from sales of non-current investments $37,342,000 (c) [loss on disposal of non-current investments $2,139m (c)] 75c</td>
</tr>
<tr>
<td>(new format for accounts)</td>
<td></td>
<td>$58,466,000 (p) $1,866,980,000 (c)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$231,466,000(p) $1,866,980,000 (c)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4,413,000 (p) (no tax) $25,741,000 (c) ($292,000 tax credit) $10,519,000 (c) (after $15,222,000 minority shareholders interest) [group $25,400,00]</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>paid up capital</td>
<td>share capital &amp; reserves/ shareholders' funds</td>
<td>Liabilities</td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
<td>---------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>1981</td>
<td>$1,912,499</td>
<td>$3,303,973 (p) $3,776,108 (c) [or $3,827,366(c)]</td>
<td>$325,721(p) $550,663(c)</td>
</tr>
<tr>
<td>1982</td>
<td>$2,376,000</td>
<td>Group capital funds $7,968,400(p) $7,991,264 (c)</td>
<td>$656,869(p) $656,833(c)</td>
</tr>
<tr>
<td>1983</td>
<td>$2,376,213</td>
<td>Group capital funds $11,429,525(p) $19,698,093(c)</td>
<td>$4,092,409(p) $7,108,436 (c)</td>
</tr>
<tr>
<td>Year</td>
<td>Net Profit</td>
<td>Group Capital Funds</td>
<td>Consolidated Net Profit</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
<td>---------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>1984</td>
<td>$2,614,000</td>
<td>$15,840,000 (p) $38,062,000 (c) [or $39,204,000 (c)]</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>1985</td>
<td>$5,210,000</td>
<td>$27,422,000 (p) $74,912,000 (c)</td>
<td>$1,8m</td>
</tr>
<tr>
<td>1986</td>
<td>$11,565,000</td>
<td>$74,489,000 (p) $120,697,000 (c)</td>
<td>$6,983,000 (c)</td>
</tr>
<tr>
<td>Year</td>
<td>Capital Funds</td>
<td>Shareholders’ Equity</td>
<td>Consolidated Net Profit</td>
</tr>
<tr>
<td>------</td>
<td>---------------</td>
<td>----------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>1987</td>
<td>$18,919,000</td>
<td>$138,108,000 (p)</td>
<td>$6,983,000 (p) (after $1,000 tax) (no extraordinary items) $8,405,000 (c) (after $24,000 tax) $3,010,000 (c) (after $5,395,000 minority shareholders interest) consolidated net profit $3,000,000</td>
</tr>
<tr>
<td>1988</td>
<td>$72,875,000</td>
<td>$326,166,000 (p)</td>
<td>$5,443,000 (p) (no tax) (no extraordinary items $28,498,000 (c) (after $292,000 tax credit). $28,129,000 (c) (after $369,000 minority shareholders interest) Consolidated net profit $28,100,000</td>
</tr>
</tbody>
</table>
### Universal Telecasters (formerly Wilkinson Day and Grimes Ltd)

<table>
<thead>
<tr>
<th>Year</th>
<th>paid up capital</th>
<th>share capital &amp; reserves/shareholders' funds</th>
<th>Liabilities</th>
<th>Profit/Loss</th>
<th>Surplus on the sale of investments</th>
<th>Earnings/share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>$5,217,000</td>
<td>$8,580,000 (P) $13,011,200 (C)</td>
<td>$3,810,000 (P) $10,183,000 (C)</td>
<td>$464,000 (p) (after $19,000 tax) $(-1,968,000)(c) (after $58,000 tax) $433,000 (p) (after $31,000 extraordinary items) $610,000 (c) (after $2,578,000 extraordinary items)</td>
<td>Profit on sale of fixed assets $2,000 (p) $66,000 (c)</td>
<td>-</td>
</tr>
<tr>
<td>1984</td>
<td>$14,949,000</td>
<td>$32,490,000 (P) $36,542,000 (c)</td>
<td>$5,573,000 (p) [or $11,457,000 (p) this includes loans ($6,286,000) &amp; excludes amounts owing to holding company ($60,000) &amp; related company ($342,000)(c) $40,340,000 (c)</td>
<td>$856,000 (p) (no tax) $208,000 (c) (after $1,000 tax) $(-24,000)(p) (after – $880,000 extraordinary items) $(-3,968,000)(c) (after - $4,176,000 extraordinary items) Consolidated net profit $208,000</td>
<td>Profit on sale of plant $20,000 (c)</td>
<td>2c</td>
</tr>
<tr>
<td>1985</td>
<td>$14,951,000</td>
<td>$47,904,000 (P) $52,989,000 (c)</td>
<td>$26,816,000 (p) $97,031,000(c)</td>
<td>$917,000(p) (no tax, no extraordinary items) $2,513,000(c) (no tax, no extraordinary items) Consolidated net profit $2,513,000</td>
<td>$2,000 (p) $2,024,000 (c) (loss on sale of investments $85,000(c)</td>
<td>8.4c</td>
</tr>
<tr>
<td>Year</td>
<td>Consolidated Profit</td>
<td>Consolidated Net Profit</td>
<td>Consolidated Profit</td>
<td>Consolidated Net Profit</td>
<td>Notes</td>
<td></td>
</tr>
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<td>-------------------------</td>
<td>---------------------</td>
<td>-------------------------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>$27,071,000</td>
<td>$7,506,000 (p) (no tax, no extraordinary items)</td>
<td>$81,667,000 (p)</td>
<td>$5,209,000 (c)</td>
<td>(loss on sale of investments $175,000 (p) $29,000 (c), 13.9c)</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>$30,401,000</td>
<td>$12,803,000 (c) (no tax or extraordinary items)</td>
<td>$100,989,000 (p)</td>
<td>$12,624,000 (p) (no tax or extraordinary items)</td>
<td>16c</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- (p) = parenthesis
- (c) = closed parenthesis
- FITB = Federal Income Tax Benefits
- $458,000 (p) and $76,000 (c) liabilities written off
- $753,000 (p) and $753,000 (c) (no tax, no extraordinary items)
### Mirage Resorts Trust (formerly PML Property Trust)

<table>
<thead>
<tr>
<th>Year</th>
<th>paid up capital</th>
<th>share capital &amp; reserves/shareholders' funds</th>
<th>Liabilities</th>
<th>Profit</th>
<th>Surplus on the sale of investments</th>
<th>Total gross and net income per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>$7,000,000</td>
<td>$9,855,026 (includes $1,930,720 asset revaluation reserve.)</td>
<td>$2,364,480</td>
<td>$1,088,061 (after $12,027 tax)</td>
<td>35.3c (or 32.2c&lt;sup&gt;39&lt;/sup&gt;)</td>
<td>15.7c</td>
</tr>
<tr>
<td>1982</td>
<td>$7,000,000</td>
<td>$11,707,327 (includes $3,778,858 asset revaluation reserve.)</td>
<td>$2,143,986</td>
<td>$1,264,163 (no tax)</td>
<td>35.2c</td>
<td>18.1c</td>
</tr>
<tr>
<td>1983</td>
<td>$7,000,000 (Qintex group controlled 3,519,298 ($1) units)</td>
<td>$14,168,820 (includes $6,252,710 asset revaluation reserve)</td>
<td>$2,200,662</td>
<td>$1,317,641 (after $5,720 tax)</td>
<td>36.9c</td>
<td>18.9c</td>
</tr>
<tr>
<td>1984</td>
<td>$7,000,000</td>
<td>$14,146,964 (includes $6,212,710 asset revaluation reserve)</td>
<td>$2,249,800</td>
<td>$1,418,144 (no tax)</td>
<td>40.2c</td>
<td>20.2c</td>
</tr>
<tr>
<td>1985 Skase chairman</td>
<td>$7,000,000 (or $7,900,000 which includes $900,000 unit premium reserve, previously included as a reserve&lt;sup&gt;37&lt;/sup&gt;)</td>
<td>$16,572,717 (includes $901,844 asset revaluation)</td>
<td>$1,626,387</td>
<td>$3,825,753 (no tax)</td>
<td>75.1c</td>
<td>54.7c</td>
</tr>
<tr>
<td>1986</td>
<td>$7,900,000</td>
<td>$16,841,000</td>
<td>$1,699,088</td>
<td>$1,988,637 (after $29,213 tax payable relating to prior period)</td>
<td>$444,000&lt;sup&gt;41&lt;/sup&gt;</td>
<td>41.3c</td>
</tr>
<tr>
<td>1987</td>
<td>$217,886,000</td>
<td>$249,729,000</td>
<td>$135,022,000</td>
<td>No profit and loss statement</td>
<td>-</td>
<td>25.7C</td>
</tr>
<tr>
<td>1988</td>
<td>$217,900,000</td>
<td>$255,512,000</td>
<td>$178,148,000</td>
<td>No profit and loss statement</td>
<td>-</td>
<td>63C</td>
</tr>
<tr>
<td>Year</td>
<td>paid up capital</td>
<td>share capital &amp; reserves/shareholders' funds</td>
<td>Liabilities</td>
<td>Profit</td>
<td>Surplus on the sale of investments</td>
<td>earnings/share</td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
<td>---------------------------------------------</td>
<td>-------------</td>
<td>--------</td>
<td>---------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>1982</td>
<td>$424,352</td>
<td>$434,355</td>
<td>$74,075</td>
<td>$14,378 (after $16,339 tax)</td>
<td>N/a</td>
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</tr>
<tr>
<td>1983</td>
<td>$4,200,505</td>
<td>$9,596,656 (p) $9,741,655 (c)</td>
<td>$792,963 (p) $3,453,979 (c)</td>
<td>($1666) (p) (after $973 tax) $143,333 (c) (after $23,089 tax)</td>
<td>$4,554 (gain on sale of investment) N/a</td>
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</tr>
<tr>
<td>1984</td>
<td>$4,201,000</td>
<td>$9,756,000 (p) $8,972,000 (c)</td>
<td>$1,625,000 (p) $5,299,000 (c)</td>
<td>$744,00 (no tax) (p) $438,000 (c) (no tax, after subtracting $250,000 for business closure)</td>
<td>$12,000 (c) N/a</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>$5,601,000</td>
<td>$8,393,000 (p) $12,243,000 (c)</td>
<td>$5,786,000 (p) $28,698,000 (c)</td>
<td>$162,000 (p) (after $2,000 tax &amp; subtracting $138,000 extraordinary item) $494,000 (c) (after $553,000 tax &amp; subtracting $676,000 extraordinary item)</td>
<td>nil N/a</td>
<td></td>
</tr>
</tbody>
</table>

1 Qintex Ltd *Annual Reports 1975-1988*. Relevant report unless otherwise stated.
2 Qintex Ltd *Annual Report 1978*. This category is not listed in previous reports.
3 Qintex Ltd *Annual Report 1979*. Data not available in earlier reports.
4 Qintex Ltd *Annual Report 1979:13*.
5 Qintex Ltd *Annual Report 1980:19*.
6 Qintex Ltd *Annual Report 1979:4*.
7 Qintex Ltd *Annual Report 1980:4*.
8 Qintex Ltd *Annual Report 1981:15*. 
9 Qintex Ltd *Annual Report* 1981:3.
10 Qintex Ltd *Annual Report* 1984:1.
12 Qintex Ltd *Annual Report* 1985:1.
14 Qintex Ltd *Annual Report* 1987:5.
16 Industrial and Pastoral Holdings Ltd *Annual Report* 1983:3.
17 Industrial and Pastoral Holdings Ltd *Annual Report* 1985:16.
Appendix 3 Reported Qintex group debt facilities and creditors, from a selection of newspaper accounts.1

Qintex group debt facilities:

**Senior syndicate** (owed about $720m²)
(Which held first charge over the Seven network, 51% of Mirage Resorts, and 51% of Princeville)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>$115m</td>
</tr>
<tr>
<td>Hongkong Bank</td>
<td>$115m</td>
</tr>
<tr>
<td>Chase AMP</td>
<td>$115m</td>
</tr>
<tr>
<td>Commonwealth</td>
<td>$100m</td>
</tr>
<tr>
<td>State Bank NSW</td>
<td>$75m</td>
</tr>
<tr>
<td>ANZ Banking Group</td>
<td>$50m</td>
</tr>
<tr>
<td>Long Term Credit Bank of Japan</td>
<td>$50m</td>
</tr>
<tr>
<td>Bank America</td>
<td>$50m</td>
</tr>
<tr>
<td>Société Générale</td>
<td>$30m</td>
</tr>
<tr>
<td>Sumitomo Bank</td>
<td>$25m</td>
</tr>
</tbody>
</table>

**$US subordinated facility of about $A200m³**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFC of New Zealand</td>
<td>$100m</td>
</tr>
<tr>
<td>Chase AMP and another unidentified bank</td>
<td>$100m</td>
</tr>
</tbody>
</table>

**Separate Qintex Australia facilities**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of NSW (Secured over Princeville)</td>
<td>$US85m</td>
</tr>
<tr>
<td>First Hawaiian bank</td>
<td>$US30</td>
</tr>
</tbody>
</table>

**The Sydney Morning Herald also lists secured borrowings⁵**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tricontinental</td>
<td>$25m</td>
</tr>
<tr>
<td>Barclays, backed by a letter of credit</td>
<td>$45m</td>
</tr>
</tbody>
</table>

**Unsecured loans, and other facilities**

A number of other facilities with $50m unsecured loans, $187m in convertible notes, and another $100m in secured loans covering the two regional TV stations in Queensland and Mariners Cove tourist facility in Queensland. The Sydney Morning Herald includes $81.6m owed to Nippon Shinpan and $27m owed to Tricontinental⁶.

**Qintex Ltd** (which held 53% of Qintex Australia)

State Bank of Victoria (including Tricontinental Holdings):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured over 38m Qintex Australia shares</td>
<td>$69.5m</td>
</tr>
<tr>
<td>Secured on a second charge over SEQ8,</td>
<td>$15.1m</td>
</tr>
<tr>
<td>was owned by Qintex Australia, but its licence was given as guarantee for a Qintex Ltd loan)</td>
<td></td>
</tr>
<tr>
<td>Joint facility with Bank of New Zealand</td>
<td>$26.5m</td>
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</tbody>
</table>

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1. Because they are extracted from a number of different sources this appendix contains much repetitive material.
2. Another report said that it was $726.8m. SMH23/11/89:27,28.
3. Another report said that it was $202.7m. SMH23/11/89:27,28.
4. This loan was set up by DFC’s 20% shareholder Salomon Brothers. DFC wrote it off in/2/90, after Qintex Australia’s receivers had indicated that they were unlikely to receive any return on it. SMH 7/2/90:42.
5. SMH23/11/89:27,28
6. SMH23/11/89:27,28
Hongkong Bank, secured on first charge over SEQ8 $19m
Hongkong Bank and State Bank of NSW, $19m
(secured on 46m ordinary shares and 3m preferences in Qintex Australia)
Nippon Shinpan Co Ltd of Tokyo\(^7\) $75m
(8.5b Yen lent to Qintex Japan KK on 28 July 1989 at 15% pa to be repaid on 30 April 1990)

**Kahmea Investments**
State Bank of Victoria thought to have debt about $30-45m

**Contingent liabilities:**
Mitsui and Nippon Shinpan with respect to a guaranteed yield to them from the resorts $18m.
State Bank of South Australia, resulting from a put option covering the shares in Parabolus Ltd (Marina Mirage)

**Put and Call Option**
To acquire 100% of the shares in Mirage Laguna Niguel Inc.

**Other Possible Obligations**
1. To repurchase redeemable preference shares including $26m Qintex Australia preferences which had a redemption timing of November 1989 and were held by:
   - AMP Society $17.5m
   - AMP Custodian Services Pty Ltd $2m
   - State Insurance Office $5m
   - Equity Life Ltd $1m
   - Perpetual Trustee Company Ltd $500,000
2. Other redeemable preference shares:
   - Queensland Treasury Corporation $35.5m Qintex Australia
   A further $72.5m Qintex Australia preferences, held by the general public
   FAI held $20.8m Qintex Ltd redeemable preferences shares with an optional redemption date of May 1990. In the December 1989 half FAI wrote off $20m following its Qintex exposure\(^8\)

**Other Institutional Exposure**\(^9\)
QTC was described as an unsecured creditor.
AMP held unsecured convertible notes for $86.6m, plus another $19.5 preferences issued in January 1989 to fund Universal Telecasters Equities Ltd which had been accompanied by an agreement that Qintex Australia would repurchase the shares and their accrued dividends.

**Other loans (possibly included above)**\(^10\)
Tricontinental loaned Qintex Ltd and Qintex Finance a total of $69.5m against a security of 38m ordinary Qintex Australia shares.

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\(^8\) *CM* 10/1/90:33; 15/1/90:17.
\(^9\) *CM* 2/4/90:19.
\(^10\) Evidence given in the Queensland Supreme Court, at the hearing of ANZ Trustees action against Qintex Australia’s subsidiaries. *CM* 6/6/90:32.
Wardley Australia and the State Bank of NSW lent Chakia Pty Ltd $19m with 446m ordinary and 3m preference shares in Qintex Australia as security. The Bank of New Zealand lent Qintex Finance $25m against a first lien over 8m ordinary Qintex Australia shares. A first ranking was given to two loans by the State Bank of South Australia totalling $22m to the Port Douglas Trust, with the deeds over some parcels of land at Port Douglas as security. The State Bank of South Australia had a $96m exposure to the Marina Mirage Investment Trust.

**Qintex Australia’s Unsecured Creditors included:**

- Diners Club International $14,582
- Hallmark Chauffeured $9,976 (or $16,174?)
- Limousines $16,174?
- Hotel Intercontinental Sydney $24,935
- Hyatt on Collins Melbourne $2,107
- Hyatt Regency Adelaide $1,146
- John Jones florist $917
- Kevin O’Neill $842
- Sheraton Brisbane $4,295
- Sheraton Mirage Gold Coast $6,550
- The Pierre Hotel, New York $4,895
- Hotel Bel-Air, Los Angeles $4,640
- Connaught Hotel, London $1,639
- Four Seasons Hotel, Los Angeles $8,996
- Hotel Seiyo, Tokyo $11,875 and $3,974
- Sir Lennox Hewitt (non-executive director) $471,000
- Media Five (architects) $315,000
- Whitlam Turnbull $23,509
- Sawyer Corporate $2,443
- Communications (PR firm) $447,563
- Charlton and Charlton $447,563
- Qintex Group Management Services $3.6m

**Payments made in May 1989, following the $890m re-financing of Qintex Australia’s debt with the Wardley led senior syndicate**

- Tricontinental $221m
- State Bank of NSW $210m (for two facilities)
- ANZ $87.9m
- Chase AMP $70.04m
- Dai Ichi Kango $69.61m
- Wardleys $64.6m
- HongKong Bank $26.3m
- Amatil Ltd $70m

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12 CM 6/6/90:32.
Another version of the debt to Tricontinental

Qintex Australia and Qintex Ltd owed Tricontinental a total of $121.5m at March 1990. Kahmea Investments owed it $52.5m. On 13 March 1988 the Victorian Economic Development Corporation (VEDC) refused to approve a loan to Qintex because it was a bad risk. The VEDC refused to lend a company connected with Skase $17m after Skase had made representations to Cain the then premier of Victoria.

State Bank of South Australia

Through its corporate lending subsidiary Beneficial Finance Limited, the SBSA lent billions of dollars to several of the later failed entrepreneurial companies including Qintex. It was alleged that the bank ‘threw the standards of prudential banking out the window’.

Qintex Ltd's known debt facilities were:

- Tricontinental Holdings (now wholly owned by State Bank of Victoria), $69.5m secured by 38m Qintex Australia shares (worth $6.08m on Qintex Australia's last traded price of 16c)
- State Bank of Victoria and Bank of New Zealand, $26.5m
- Another three facilities, through wholly owned subsidiary Chakia Pty Ltd, for $53.1m:
  1. Joint State Bank NSW and HongKong Bank, $19m secured against 46m ordinary shares and 3m preferences in Qintex Australia.
  2. HongKong Bank, $19m secured against a first charge over Queensland regional TV station SEQ8
  3. State Bank of Victoria, $15.1m secured against a second charge on SEQ8 and ‘other sundry securities’

Qintex group debt facilities

Separate Qintex Australia facilities

State Bank of NSW (Secured over Princeville) $US85m

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13 CM 1/10/90:18.
14 CM 1/10/90:18.
15 CM 12/2/91:27.
17 Qintex Australia's shareholders approved the use of Qintex Australia's wholly owned SEQ8 licence as security to guarantee Qintex Ltd debts in early 1988. AFR 7/11/89:1-2.
18 AFR 21/11/89:4
First Hawaiian bank

A number of other facilities with $50m unsecured loans, $187m in convertible notes, and another $100m in secured loans covering the two regional TV stations in Queensland and Mariners Cover tourist facility in Queensland

Qintex Ltd (which held 53% of Qintex Australia)
State Bank of Victoria (including Tricontinental Holdings):
  • $69.5m secured over 38m Qintex Australia shares
  • $15.1m Secured on a second charge over SEQ8
Joint facility with Bank of New Zealand $26.5m
HongKong Bank, secured on first charge over SEQ8 $19m
HongKong Bank and State Bank of NSW, secured on 46m ordinary shares and 3m preferences in Qintex Australia $19m

Kahmea Investments
State Bank of Victoria thought to have debt about $30-45m

Another report of Qintex's debt

External Secured borrowings totalled $998.5m:
  • Senior banking syndicate $726.8m
  • Junior facility $202.7m
  • Tricontinental exposure of $25m
  • Barclays $45m backed by letters of credit.
Unsecured loans totalled $297m
  • Convertible notes $187.1m
  • Nippon Shinpan $81.6m
  • Tricontinental $27

Contingent liabilities:
  • Mitsui and Nippon Shinpan with respect to guaranteed yield to them from the resorts $18m.
  • State Bank of South Australia, resulting from a put option covering the shares in Parabolus Ltd (Marina Mirage)

Put and Call Option
  • To acquire 100% of the shares in Mirage Laguna Niguel Inc.

Possible Obligation
  • To repurchase redeemable preference shares including $26m Qintex Australia preferences, which had a redemption timing of November 1989 and were held by:
    * AMP Society $17.5m
    * AMP Custodian Services Pty Ltd $2m
    * State Insurance Office $5m
    * Equity Life Ltd $1m
    * Perpetual Trustee Company Ltd $500,000
  • Other redeemable preference shares:

19 SMH23/11/89:27,28
* Queensland Treasury Corporation $35.5m Qintex Australia
* The public held a further $72.5m Qintex Australia preferences

- FAI held $20.8m Qintex Ltd redeemable preferences shares with an optional redemption date of May 1990.  

Qintex group UNSECURED CREDITORS

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<tr>
<th>Name and Address</th>
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<tbody>
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20 SMH23/11/89:27,28
21 Sunday Age 25/12/94:11.
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<td>$108,067</td>
</tr>
<tr>
<td>Mirage Port Douglas, Brisbane</td>
<td>$3221</td>
</tr>
<tr>
<td>IPH Recall Pty Ltd</td>
<td>$3,355,371</td>
</tr>
<tr>
<td>Balavista Pty Ltd</td>
<td>$20,400</td>
</tr>
<tr>
<td>Walstacey Pty Ltd, Brisbane</td>
<td>$10,000</td>
</tr>
<tr>
<td>Qintex Japan KK, Tokyo</td>
<td>$52,203,780</td>
</tr>
<tr>
<td>Ranji Pty Ltd, Brisbane</td>
<td>$100,000</td>
</tr>
<tr>
<td>IPH Aviation Pty Ltd, Brisbane</td>
<td>$37,630</td>
</tr>
</tbody>
</table>
Appendix 4 Powditch Report

Statement of Max Powditch B. Com., A.A.S.A., F.S.I.A., Associate Director B.T.Australia

1. I am an associate director of B.T. Australia Limited. I have been an investment analyst for approximately twenty years. I have a degree in Commerce, am a qualified accountant and a graduate of the Securities Institute of Australia.

2. From 1963 until 1979 I worked as an investment analyst in the field of stockbroking; since 1979 I have been employed by a merchant bank specialising in the area of corporate financial advice.


4. I have also been closely involved with the Securities Institute of Australia with particular emphasis both at State and Federal level on the educational courses run by the Institute. I am the Principal Lecturer for Australia in the subject “Investment Analysis” and have lectured in that subject every year for 1966 to the present time. I was elected to the Federal Education Board of the institute in 1970 and held the position of Chairman of that Board in both 1980 and 1981.

5. I became a member of the Council of New South Wales Division of the Institute in 1972 and have been State President for the past 15 months.

6. I have been asked to examine the 1981 and 1982 Annual Reports of Qintex Limited and to comment on the manner of determining reported profits. Specifically I have been requested to take into account matters such as maintainability of profits and the extent to which conservative accounting methods have or have not been adopted.

A COMMENTS ON THE ANNUAL REPORTS OF QINTEX LIMITED OVER THE PAST TWO YEARS

7. A fundamental aspect of the investment analyst’s job is to forecast the likely future profits of the company under examination and to accompany this with the detailed logic behind such a forecast.

8. In the financial area his starting point is the Company’s past financial record. He examines this to determine, as far as possible, the various sources of profit so that he can address each separate area in building up his profit expectation. In some cases a breakdown of profits - divisional contributions, investment income, unusual income items and so on - is provided. In many cases this breakdown is not set out and the analyst then sets about reconstructing the past accounts, by using information contained throughout the Annual Report and particularly in the “Notes to the Accounts”.

9. I have attempted to reconstruct Qintex’s profit schedule from its Annual Reports for 1981 and 1982 … but have run into a number of problems. I am not able to be fully confident that the reconstructed schedule below accurately portrays the real position, and this stems from matters such as the following:-

- certain assets were revalued on 31 December 1981, but neither the amount of the revaluation nor whether it was positive or negative was disclosed.

- At least part of those revalued assets were sold within the following seven months at a profit over the new book value. It is not possible to know whether this resulted from an abnormally low new book value or an appreciation of values after revaluation.

22 Original copy supplied by Mr J. Gleeson, former chairman Telecasters North Queensland Limited
a change in policy in 1982 enabled the company avoid writing off losses of a subsidiary company amounting to $169,624. We are not told the name or the nature of the company involved nor the reasons for the loss.

the 1982 results are not comparable with those of 1981, not only as a result of the policy change noted above but also because

… a prior year’s property renovation provision of $280,000 was transferred to the 1982 profit, and

… certain manufacturing expenses previously charged against profits are with effect from 1982 charged to stocks.

Certain items of expenditure such as “market development” are not charged directly against profits but are carried forward and amortised over the period of expected benefit. The amount in 1982 was $316,800 but no information concerning the nature of expenditure or the period of expected benefit is revealed.

All surplus and losses on the sale of investments (1982 a profit of $1,319,624) are included in reported profit but apparently losses on the purchase of investments (e.g. the $797,799 excess between the price paid for control of Industrial and Pastoral Holdings and the book value of its underlying assets) are not written off against profits.

Because of matters such as those above I can have no confidence that the stated results are a true reflection of the actual results for the year. It appears that the business operations of Qintex in 1982 made a loss of the order of $1.78 million (see profit schedule reconstructed below) but there does not appear to be any reference in the four page Chairman’s report in 1982 to losses of any magnitude. (Note 6 to the Accounts shows that three companies in the Group incurred losses in 1982, but together these totalled only $165,829).

In my opinion the “quality” of Qintex profits is extremely low. Some of the 1982 profit was earned prior to 1982 (e.g. provision write-back), the business activities appear to be making significant losses, some expense items which would have been written off against profits by most companies have been capitalised and certainly the maintainability of profits, particularly those stemming from the sale of investments in open to serious doubt if only from the lack of information provided.

Profit Schedule Reconstructed

<table>
<thead>
<tr>
<th></th>
<th>1981 S000</th>
<th>1982 S000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss before</td>
<td>(317)</td>
<td>(1,783)</td>
</tr>
<tr>
<td>taking into account the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>items below</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Investment Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>68</td>
<td>491</td>
</tr>
<tr>
<td>received/receivable</td>
<td>64</td>
<td>915</td>
</tr>
<tr>
<td>Interest received/receiv</td>
<td>185</td>
<td>377</td>
</tr>
<tr>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Interest paid/payable</td>
<td>64</td>
<td>63</td>
</tr>
<tr>
<td>Depreciation</td>
<td>66</td>
<td>69</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>106</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property renovation provision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor’s remuneration</td>
<td>50</td>
<td>49</td>
</tr>
<tr>
<td>Directors. Emoluments</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>(479)</td>
<td>(574)</td>
</tr>
<tr>
<td>Add Surplus on sale of investments</td>
<td>1,509</td>
<td>1,320</td>
</tr>
<tr>
<td></td>
<td>1,030</td>
<td>746</td>
</tr>
<tr>
<td>Less Loss on sale of plant</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,025</td>
<td>638</td>
</tr>
<tr>
<td>Add Property renovation provision written back</td>
<td>-</td>
<td>280</td>
</tr>
<tr>
<td></td>
<td>1,025</td>
<td>1,026</td>
</tr>
<tr>
<td>Pre tax profit</td>
<td>238</td>
<td>(115)</td>
</tr>
<tr>
<td>Less Income Tax Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>787</td>
<td>1,141</td>
</tr>
<tr>
<td>Less minority shareholders’ interests</td>
<td>-</td>
<td>251</td>
</tr>
<tr>
<td>Preference shareholders’ interests</td>
<td>-</td>
<td>63</td>
</tr>
<tr>
<td>Reported Consolidated net profit</td>
<td>787</td>
<td>827</td>
</tr>
</tbody>
</table>

*The figures for 1981 were amended in additional material provided by Mr Powditch date 31 January 1984 see Appendix 4

**NOTES**

a) The table shows that the operations of the group, before taking into account Investment Income, certain expense items, profit/losses on the sale of investments and plan, a write-back, taxation and minority interests, incurred losses in both 19981 and 1982. The loss on this basis in 1982 of almost $1.8 million, up from $0.3 million in 1981, is perhaps the closes guide to the performance of the Group’s businesses involving “importation, manufacture and distribution of jewellery and homewares and the operation of retail and duty free jewellery stores”.

b) After including investment income (dividends and interest) and deducting interest payable, depreciation, a provision for property renovation (in 1981 only) and fees to auditors and directors, the Group’s results were still negative - a loss in 1981 of $0.5 million and in 1982 of $0.6 million.

c) The policy of regarding gains on the sale of investments as part of normal profits transformed the losses referred to above into profits. But got these gains ($1.5m in 1981 and $1.3m in 1982), the Group would have reported net losses in both years.

d) Given profit is a measure of performance in a particular year the write back of the property renovation provision of $280,000 in 1982 results in an overstatement of profits in that year.

e) Because of a number of factors, including dividend income, non-assessable income, non-allowables provisions and losses of certain subsidiaries, the Group’s provision for income tax in 1982 was negative. This resulted in the company reporting a profit increase in 1982 rather than a decline.

**Other items of Interest**

f) In 1982 certain subsidiary companies which hitherto had charged manufacturing expenses against profit, changed their accounting practice and thereby charged
such expense against stock. The effect of this was to increase the stated 1982 profit by $107,770.

g) In 1982 the Group altered its policy with respect to initial trading losses so that with effect from the beginning of 1982 all costs and trading losses incurred in the acquisition have been capitalised. Had this change not been introduced the Group’s result in 1982 would have been lower by $169,624.

h) Items of expenditure including Market Development, Computer Systems and Financing Costs which have a benefit or relationship to more that one accounting period are amortised over the period of expected benefit. In 1982 a total of $316,000 was capitalised and thus not charged against profits.

i) The profit in 1982 of $1,319,624 on the sale of Investments includes a figure of $357,619 arising from the realisation of a subsidiary company’s investment portfolio “post acquisition”. This latter event relates to the acquisition of a controlling interest in Industrial and Pastoral Holdings Limited on 31 December 1981. On that same date “the share portfolio assets of that company were revalued to reflect their realisable value after making allowance for possible losses on realisation of the portfolio and other factors used in determining the offer price.

The notes do not indicate whether the portfolio was revalued to a figure above or below its realisable value on 31 December 1981 but do disclose that the price paid for Industrial & Pastoral Holdings Limited at $4.68m was considerably higher than the book value of the assets acquired on the date of acquisition (before or after revaluation?) of $3.88m. It appears possible that the realisation surplus, in part or in total, could simply have arisen from the act of revaluing on 31 December 1981 and not from a true appreciation of the value of the portfolio between 31 December 1981 and the dates at which the investments were sold.

j) An account styled “Premium Acquisition of Shares” shows an increase from $108,713 at 31 July to $947,166 at 31 July 1982. The difference of $838,453 would appear to represent the excess of the price paid for acquisition during financial 1982 over the value of assets acquired. In view of the Company’s stated policy … “all gains and losses on the sale of investments are included in determining the amount of profit” I would have thought it consistent to have treated gains and losses on the purchase of investments in the same manner. If this approach were adopted the reported pre-tax profit of $1,025,595 in 1982 would reduce to $187,152

Conclusions from above aspects

One mark of a successful company is a long sequence of increasing profits. Qintex boasts such a record with the first graph in its 1982 accounts showing an unbroken upward trend in profits from 1976 to 1982. The Chairman’s report also draws attention to the “seventh successive advance in profits since the company was re-activated in 1975-76”.

However, in my view it is totally misleading to regard 19982 as a year of real profit growth.

At the very least to compare 1981 and 1982, investment analysts would reduce the stated 1982 profit by

- The write back of the property renovation provision of $280,000 and
- The $107,770 resulting from the changed accounting practice concerning manufacturing expense.
16. In addition analysts would be most unlikely to ignore the capitalising of the $169,624 for initial trading losses or the capitalising of $316,800 for market development, computer systems and financing costs.

17. On the basis of adjusting for the above four items the pre-tax comparison would be as follows

<table>
<thead>
<tr>
<th></th>
<th>1981 $000</th>
<th>1982 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted profit pre-tax</td>
<td>1,025</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(down 85%)</td>
</tr>
</tbody>
</table>

18. Analysts would also have difficulty in accepting the apparent policy of Qintex of including gains on the sale of investments - in 1982 a total of $1.3m - and at the same time not deducting a loss on the purchase of investments.

It appears that Qintex acquired control of the Industrial and Pastoral Holdings Group in 1982 for a price in excess of its actual (or revalued?) book worth, with the difference not written off against the year’s profit.

19. My analysis of the accounts leads me to believe that on the basis of comparability with previous years and on the basis of normally accepted practice the reported ‘normal’ profit of Qintex in 1982 of $837,378 considerably overstates the position.

Corrections to the above report are listed in the TNQ hearing pp598-603. The corrected figures appear below.

**B. COMMENT ON THE INTERIM REPORT OF QINTEX LIMITED FOR THE SIX MONTHS ENDED JANUARY 31, 1983**

20. Because of the limited detail which needs to be provided in a company’s interim report I am unable to determine whether the reported profits in the latest six months are an accurate reflection of the performance of the Group, as understood by investment analysts.

21. However in the written report to the Stock Exchange dated 16 May 1983 the following statement is made

Qintex Limited advises that consolidated operating profit after tax, for the six months to 31 January 1983 was $579,000. This compares with $363,000 in the corresponding period last year. Consolidated profit before tax was $995,000 - an increase of 48% over the previous period.

22. The investor in ordinary shares and the investment analyst assessing the merits of ordinary shares in a company are however concerned primarily with the consolidated operating profit after tax, after minority interests and after dividends to preference shareholders.

On this basis Qintex Limited did not achieve the improvement (59%) suggested in the foregoing statement. For the six months to 31 January 1983 there was a
preference dividend cost of $223,000 as against nil in the previous corresponding period. Accordingly net profit available to ordinary shareholders fell - from $363,000 to $356,000.

23. In addition it appears to me most unusual, in fact incorrect, for preference dividends of a subsidiary, or sub-subsidiary, to be treated as other than a minority interest. Minority interests held by outside parties in subsidiary companies and in this instance it involves both outside ordinary shareholding and outside preference shareholders. If a consistent treatment is adopted with respect to these two categories, Qintex minority interest charge in its latest half year report would increase to $369,000 and the consolidated operating profit fall to $356,000 - lower than that recorded for the previous corresponding half year.

C. RETURN ON INVESTMENT: STAKE IN TELECASTERS NORTH QUEENSLAND LIMITED

24. Qintex Limited is an investment company, both in terms of self description and the proportion of profits being generated on a regular basis from the disposal of assets.

25. Accordingly it is difficult to accept that such a company would take an approximate 20% stake in a company such as Telecasters North Queensland Limited, (“Telecasters”) which provides a very low level of income per dollar of outlay, unless it was for the purpose of a short term gain through resale.

26. Early in June, 1983 North Queensland Portfolio Pty Ltd advised it held approximately 1.45 million shares (19.2% of the issued capital) in Telecasters and that its cost approximated $4.5m. Such holding is controlled by Qintex Ltd. the average price paid was $3.07 and in the short time Qintex has had its stake the share price has risen to $4.40. the book profit is thus of the order of $1.9m.

27. The expected 1982/3 dividend per current share is 14 cents, so that at the average purchase price of $3.07 the immediate yield is a low 4.6%.

28. The annual cost to Qintex of the $4.5m referred to above would be at least $370,000 after tax - to show an immediate income loss per annum of around $170,000. Clearly the company is expecting further growth and this should translate into rising annual dividends. The table below shows the cost/income analysis for the 19.2% shareholding in Telecasters given varying growth expectations for the company’s dividend:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest cost to Qintex after tax ($000)</th>
<th>Dividend Income</th>
<th>Growth per annum</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>370</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>740</td>
<td>203</td>
<td>203</td>
<td>203</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1,110</td>
<td>426</td>
<td>447</td>
<td>467</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>1,480</td>
<td>672</td>
<td>739</td>
<td>810</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>370</td>
<td>942</td>
<td>1,089</td>
<td>1,256</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10%</th>
<th>20%</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>203</td>
<td>203</td>
<td>203</td>
</tr>
<tr>
<td>223</td>
<td>244</td>
<td>264</td>
</tr>
<tr>
<td>246</td>
<td>292</td>
<td>343</td>
</tr>
<tr>
<td>672</td>
<td>739</td>
<td>810</td>
</tr>
<tr>
<td>942</td>
<td>1,089</td>
<td>1,256</td>
</tr>
<tr>
<td>297</td>
<td>421</td>
<td>580</td>
</tr>
<tr>
<td></td>
<td>1,850</td>
<td>1,239</td>
</tr>
<tr>
<td>-----</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>6</td>
<td>370</td>
<td>327</td>
</tr>
<tr>
<td></td>
<td>2,220</td>
<td>1,566</td>
</tr>
<tr>
<td>7</td>
<td>370</td>
<td>360</td>
</tr>
<tr>
<td></td>
<td>2,590</td>
<td>1,926</td>
</tr>
<tr>
<td>8-12</td>
<td>1,850</td>
<td>2,414</td>
</tr>
<tr>
<td></td>
<td>4,440</td>
<td>4,340</td>
</tr>
</tbody>
</table>

29. This table shows that

- If dividends grow at 10% per annum it will take 12 years for total dividend income received to equal that after tax cost of interest
- If dividends grow at 25% per annum it will take 7 years for total dividend income received to equal the after tax cost of interest
- If dividends grow at 30% per annum it will take 5 years for total dividend income received to equal the after-tax cost of interest.

30. On the assumption that profits of Telecasters in the year to June 30, 1983 are no lower than in the previous year, the average compound rate growth in profits of Telecasters over the past five years is of the order of 16 per cent per annum.

31. Because of the very significant period of time one could normally expect to receive interest costs (i.e. before making a profit), it seems apparent that a company with a record of trading in the securities of other companies, must be presumed to have that objective with respect to the 19.2% shareholding in Telecasters.
Appendix 5 Supplementary Powditch Report
ADDITIONAL MATERIAL FROM MR. M. POWDITCH FOLLOWING THE RELEASE OF THE
1982/3 ANNUAL REPORT OF QINTEX LIMITED  31 January 1984

I have been asked to comment on the Qintex Limited group (Qintex) and in particular on the appropriateness of it being a major shareholder in Telecasters North Queensland Limited (Telecasters).

My earlier view was that it was not appropriate that Qintex be a major shareholder in Telecasters, a company holding television and radio licences. The release of the latest accounts of Qintex causes me to strengthen that view.

My attitude is derived largely, but not totally, from two separate features of Qintex - the emphasis it has consistently placed on the trading in major shareholdings in other companies and the highly geared nature of its balance sheet.

Trading in the shares of other companies.

The key activity of Qintex in recent years has been the purchase of significant shareholdings in other companies, mainly listed companies, and the subsequent disposal of all or part of such shareholdings, with the result that profits from such activities dominate the overall picture. In fact, in each of the past three years profits earned from the sale of investments have exceeded the total profits earned - i.e. all other activity and income has consistently produced a loss.

The Qintex profit record, over the past three years, is displayed below and shows just how dominant share trading has been.

Table 1 Profit schedule restructured ($000)

<table>
<thead>
<tr>
<th></th>
<th>1981</th>
<th>1982</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>(322)</td>
<td>(1,783)</td>
<td>(744)</td>
</tr>
<tr>
<td>before taking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>items below</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less interest</td>
<td>64</td>
<td>63</td>
<td>265</td>
</tr>
<tr>
<td>paid/payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>6</td>
<td>69</td>
<td>51</td>
</tr>
<tr>
<td>Auditors</td>
<td>50</td>
<td>49</td>
<td>78</td>
</tr>
<tr>
<td>remuneration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors</td>
<td>8</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>enrolments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>106</td>
<td>(280)</td>
<td>-</td>
</tr>
<tr>
<td>renovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>provision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>68</td>
<td>491</td>
<td>184</td>
</tr>
<tr>
<td>Interest</td>
<td>64</td>
<td>915</td>
<td>800</td>
</tr>
<tr>
<td>Add surplus</td>
<td>1,509</td>
<td>1,320</td>
<td>2,311</td>
</tr>
<tr>
<td>on sale of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less income</td>
<td>238</td>
<td>(115)</td>
<td>228</td>
</tr>
<tr>
<td>tax expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2 In summary, over the past three years:-

<table>
<thead>
<tr>
<th></th>
<th>787</th>
<th>1,141</th>
<th>1,912</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less minority shareholders’ interest</td>
<td>-</td>
<td>251</td>
<td>501</td>
</tr>
<tr>
<td>Preference shareholders’ interest</td>
<td>-</td>
<td>63</td>
<td>541</td>
</tr>
<tr>
<td>Reported Consolidated net profit</td>
<td>787</td>
<td>827</td>
<td>870</td>
</tr>
</tbody>
</table>

Profits from the sale of investments $5,140,000
totalled

All other activity (including dividend and investment income of $2,522,000) - 949,000
produced a loss of

To give a pre-tax profit from all sources $4,191,000

Some of the profits earned come from the disposal of smaller portfolio shareholdings. For example, in 1981/82, after acquiring Industrial and Pastoral Holdings Ltd, that company’s investment portfolio was immediately revalued then sold at a profit of $358,000.

However, very significant profits have come from the disposal of major holdings in individual companies. For example, in 1982/2 two subsidiaries Hardy Brothers Ltd and Lustre Jewellery (Australia) were sold. The accounts reveal that of the total profit on the sale of investments of $2,311,000 in that year the vast majority - $2,293,000 - came from the sale of the investment in those two companies.

Qintex is a trading house, with a demonstrated expertise in buying all or part of a company’s issued capital and later disposing of all or part at a profit.

Qintex is exceptionally highly geared for a company dependent on entrepreneurial profits.

An examination of Qintex’s latest profit and loss account reveals a significant annual commitment to interest and preference dividend payments.

Last year Qintex’s interest bill was $265,000 whilst preference dividend commitments came to $541,000 - the total figure of $806,000 being 6 times that of the 1982 commitment.

In view of the entrepreneurial nature of Qintex’s profits one must question the wisdom of having such a high level of fixed commitment.

Certainly Qintex has a sizeable annual investment income (although this did fall 30% last year) but one’s confidence in Qintex’s ability to pay, surely, relates to a confidence in an ongoing pattern of overall profit growth. As shown earlier Qintex’s businesses fall into two categories - profits from the sale of investments and all other activity (including investment income). The latter incurred losses in each of the past three years so again we must focus on the trading activity.
Last year Qintex earned a profit of $870,000. Of this $2,293,000 came from the sale of the investment by Qintex Limited of its 100% shareholding in Hardy Brothers Limited and Lustre Jewellery (Australia) Pty Limited to an associated company Welmar Limited.

See note 7 (viii) on page 18 and subsidiary companies disposed (ii) on page 13 of the 1982/3, accounts of Qintex Limited.

By my calculation, had these two investment not been sold, Qintex would have incurred a loss in 1982/83 between $1.2m and $1.4m. There would even have been a loss recorded before providing for the fixed commitments of interest and preference dividends.

Also it should be noted that excluding the profit of $2,293,000 on the sale of the two 100% owned subsidiaries, the profit on the disposal of investments in 1982/3 totalled only $18,000.

The conclusion I reach from the above is that it is necessary for Qintex to dispose of major investments every year. Not only is it important simply from the desire for profit growth, but it is increasingly important because of the growth in and level of fixed financial annual commitments.

The holding in Telecasters

A major investment of Qintex is its almost 20% stake in Telecasters - 2.25 million shares currently priced at around $6.70 each and thus worth in the vicinity of $15.1m.

The cost of its holding in Telecasters, by my calculation is around $4.7m, an average price of $2.10 per share (before holding charges) and thus showing a book profit of the order of $10.4m

(Handwritten not on this document noted that at a $7.50 per share the holding was worth $16m and the book profit would be $12.2m)

While there have been changes to the portfolio since 31 July last and share prices generally have increased solidly, it is worth noting that the market value of Qintex’s investment portfolio, including shares held in Telecasters, exceeded the book value of that portfolio by only $2.8m.

On the basis of the above I would have thought there was a real prospect that at least part of the book profit on Telecasters would be crystallised into reported profits, by the disposal of Telecasters shares.

Final Comments

It seems inappropriate to me that a company such as Qintex - its whole emphasis being that of a trader in securities and with a risk profile considerably higher that the average company - should hold a major stake in a group which has been granted television and radio licences.

It seems axiomatic to me that the granting of such licences can only be on the basis of a high degree of confidence in the stability of the major shareholding base of the licencee (sic).

In this context, I do not believe Qintex can be regarded as a stable party.
## Appendix 6  QGMS items sold at auction

<table>
<thead>
<tr>
<th>OBJECT</th>
<th>COST PRICE</th>
<th>EXPECTED PRICE</th>
<th>REALISED PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marble torso</td>
<td>$95,000</td>
<td>$4,500</td>
<td>$17,000</td>
</tr>
<tr>
<td>Pr 18th (?19th) century carved wooden columns*</td>
<td>$71,143</td>
<td>$18,000</td>
<td>$14,000</td>
</tr>
<tr>
<td>Etruscan vase</td>
<td>$35,000</td>
<td>$4,000</td>
<td></td>
</tr>
<tr>
<td>Antique gilt wood console table marble topped*</td>
<td>$22,250</td>
<td>$2,500</td>
<td>$5,500</td>
</tr>
<tr>
<td>Multi-tiered drop chandelier</td>
<td>$18,250</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>18th century cast iron Spanish fountain*</td>
<td>$96,000</td>
<td>$20,000 - $25,000</td>
<td>$68,000 (or $74,000)</td>
</tr>
<tr>
<td>18th century English grandfather clock*</td>
<td></td>
<td></td>
<td>$7,500</td>
</tr>
<tr>
<td>French Louis XVI – style beechwood suite*</td>
<td></td>
<td></td>
<td>$11,000</td>
</tr>
<tr>
<td>Italian guiltwood centre table with oval pieta dura black marble top</td>
<td>$65,000</td>
<td></td>
<td>$17,600</td>
</tr>
<tr>
<td>Pair 19th century Italian hall mirrors</td>
<td>$62,000</td>
<td></td>
<td>$7,920</td>
</tr>
</tbody>
</table>

Items marked with * bought by mystery buyer for $200,000+

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### Table 2 Other items of furniture from the company auctioned on 5 December 1990 included

<table>
<thead>
<tr>
<th>Skase’s desk</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue marble boardroom table; sold to hairdresser Stefan (Steve Ackerie)</td>
<td>$2,000</td>
</tr>
<tr>
<td>18 powder blue boardroom chairs to go with table</td>
<td>$300 each</td>
</tr>
<tr>
<td>Marble bar unit</td>
<td></td>
</tr>
<tr>
<td>Dining room table and eight chairs (Skase’s personal?)</td>
<td>Unsold</td>
</tr>
<tr>
<td>Polished timber desks</td>
<td>About $200</td>
</tr>
<tr>
<td>Occasional tables</td>
<td></td>
</tr>
<tr>
<td>Cupboards, work stations, telephones, lounge settees, executive chairs, planter boxes</td>
<td></td>
</tr>
</tbody>
</table>

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24 CM4/12/90:4; 6/12/90:11.
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