



24 November 2015

Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

Dear Committee Secretary,

Re: Senate Inquiry into Insolvency in the Australian Construction Industry

I refer to my appearance on 4 November 2015 at the public hearing in relation to the above Inquiry.

Please find enclosed electronic copies of the following documents that I informed the Committee I would provide to be tabled:

1

- 2 Emails between Mr Innes Kirkwood of NAB and Craig Walton of Walton Constructions, whereby Mr Kirkwood provided contact details for the Mawson Group to Mr Walton (including Mr Walton's email in reply). Please refer to Annexure "B".

During the course of receiving questions from the Committee on 4 November 2015, I took several questions on notice. I have set out below these questions (captured to the best of my ability), along with my response.

- 1 ***Did a representative of NAB attend a meeting with the Mawson Group on 10 April 2013 or thereabouts at which the Mawson Group put a proposal about Walton to NAB?***

No, a representative of NAB did not attend a meeting with the Mawson Group on or about 10 April 2013. On 9 April 2013, representatives of NAB met with Craig Walton and representatives from Deloitte, Pearl Financial Services and GMK, however Mawson was not present. As advised to the Committee, the first meeting that NAB had with Mawson Group in relation to Walton Construction was on 24 April 2013.

- 2 ***Did NAB's [personal property securities] registration on 3 May 2013 or thereabouts in relation to the GSA with Walton Constructions Queensland Pty Ltd include any personal property of Craig Walton?***

No, NAB did not register against any of Craig Walton's personal property around the time of 3 May 2013.

3 **Were you or NAB made aware of Mr Norman Metz's resignation from the Walton advisory board?**

I was not made aware and NAB cannot locate any record of NAB being advised that Mr Metz had resigned from the Management Advisory Board ("MAB").

A MAB is an informal arrangement (ie is not mandated by either the company's constitution or the Corporations Act) and so the responsibilities and function of a MAB will vary from company to company.

Mr Metz's firm GMK Partners Auditors Pty Ltd, continued in the role of auditor until May 2013 (according to a historical company extract of Walton Construction Pty Ltd). An auditor is subject at all times to a positive duty per ASIC Regulatory Guideline 34.5

"Under s311 and 601HG of the Corporations Act, auditors are obliged to notify ASIC about matters that they have reasonable grounds to suspect amount to a significant contravention of the Corporations Act.

Auditors must also notify ASIC of matters that are not a significant contravention, where they believe that the matter will not be adequately dealt with by commenting on it in the auditor's report or bringing it to the attention of the directors."

NAB had no knowledge as to whether any such notification was made to ASIC.

4 **If NAB was aware and was advised of the resignation, was NAB advised of the reasons for his resignation?**

We cannot locate any record of NAB being advised that Mr Metz had resigned and so we were not aware of the reasons.

5 **In July 2012, the auditor of Walton Construction, Norman Metz, sent an email to NAB that said that their "mutual friend was enhancing financial figures". Have you had a look at what was done when you received that email? If you were being told the books were being fiddled with back in 2012, surely you did something about it?**

I advised the Committee that an email from Mr Metz had been referred to me. The existence of the email had been raised by a journalist in the week before my appearance before the Committee, but as at the time of my appearance I had not seen that email.

I have now located a copy of an email from Norman Metz to NAB.

Please refer to Annexure "C". I assume the annexed email from Mr Metz to be the email that was referred to by the Committee however:

- (1) That email refers to "our mutual client" not "our mutual friend"; and
- (2) Refers to a process of "enhancing the monthly financial reporting" not "enhancing financial figures". The email continues to set out in detail a number of the steps that Walton proposed to take to improve the level of financial reporting by Walton Constructions to NAB which, in summary, involved the provision of more detailed information to NAB, more frequently."

Therefore, there was nothing in this email to cause NAB any concern. The proposed improved financial reporting by Walton Constructions was acceptable to NAB.

6 *Three days before an administrator was appointed to Waltons, Mawson arranged for a release of funds from Waltons to NAB, is that correct?*

Mawson did not arrange for a release of funds from Walton Construction to NAB.

NAB was the transactional banker to the Walton Group. Any funds that the company received from debtor collections would normally be banked to the companies' accounts. NAB has provided copies of two years' of account statements to the liquidator showing all such transactions.

In addition, NAB held term deposits as security for the facilities provided to Walton Constructions, including for bank guarantees issued for building contracts. When Walton achieved "practical completion" of building contracts, the relevant bank guarantees for the contracts were returned in accordance with the contract terms. The return of bank guarantees may lead to the release of term deposits. However NAB did not release any funds from the term deposits in the months leading up to the Voluntary Administration of Walton Constructions.

In the week prior to the appointment of the Administrator, 5 bank guarantees totalling \$771,119 were returned as set out in Annexure "D". However, no term deposits were released by NAB.

7 *Did NAB receive a release of funds from a Walton company within a week prior to the appointment of the administrator? What was the amount of the funds? What was the reason for the release? From which company was the release obtained?*

No, as explained in item 6.

8 *Are you absolutely sure that there was no release of funds to NAB in the weeks prior to Walton going into administration? Can you provide details to the committee of any release of funds that you had from Waltons going back to say 30 June 2012... between 30 June 2012 and the company going into receivership? I.e. any money Waltons gave you, repayment of their debt to NAB?*

As explained in item 6, NAB was the transactional banker to the Group and some contingent liabilities of Walton Construction to NAB were extinguished when bank guarantees were returned in accordance with the terms of building contracts.

There was no other reduction in the debt owed to NAB other than as a result of normal monthly payments on asset finance contracts.

Records confirming this have been provided to the liquidator.

Please let me know if I can be of further assistance.

Yours sincerely,

Geoff Green

Encl. 4

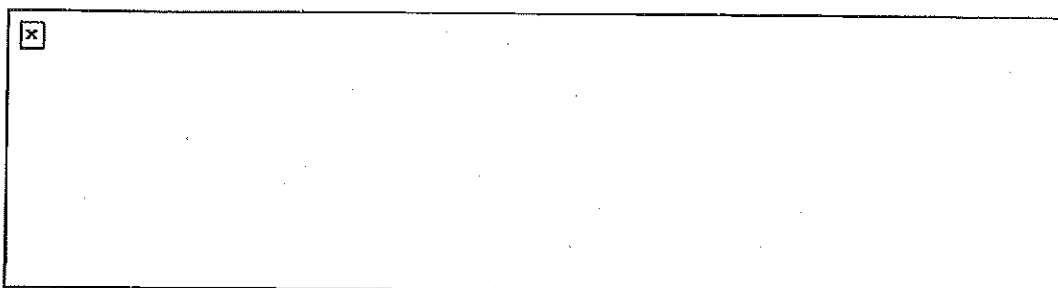
Investigations

From: Craig Walton
Sent: Tuesday, 12 March 2013 10:39 AM
To:
Subject: RE: Corporate Advisory
Attachments: image003.jpg

Hi Innes,

I've got Norman contacting them as he is also short listing two others for me. Thanks again for the connection.


Craig Walton | Managing Director



'Safety is our future'

Proud members of [Green Building Council Australia](#), [Master Builders](#) and [The Australian Institute of Building](#)
| 2012 Winner MBA NSW Excellence in Housing Award, Aged Care Buildings for Lansdowne Gardens on
Wycombe | 2012 Winner Tourism & Hospitality Facility \$5M-\$20M for Wugoon Umo Permanent Remote
Mining Accommodation Facility, Roma, Central Queensland | 2012 Winner Commercial Building
\$5M - \$10M for St Mary of the Cross Mausoleum, Parkville Victoria

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From:
Sent: Tuesday, 12 March 2013 10:18 AM
To: Craig Walton
Subject: Re: Corporate Advisory

Hi Craig,

How did you go with Mawson Group?

Kind regards,

Innes Kirkwood
Senior Relationship Executive
Large Clients - Nab Business, Carlton
National Australia Bank

Subject Corporate Advisory

07/03/2013 01:43 PM

Hi Craig,

The name of the firm is Mawson Group and the Managing Director is Pat McCurry.

I have provided the details of fellow director, Julian Kirzner below and advised him you will be in contact shortly.

Julian Kirzner
Director
Mawson Group
E:
M:
T:

<http://www.mawsongroup.com/team/>

Kind regards,

Innes Kirkwood
Senior Relationship Executive
Large Clients - NAB Business, Carlton
National Australia Bank

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18/07/2012 08:26 AM	
	To
	cc
	Subject
	FW: Walton Construction Group Reporting
	<div style="border: 1px solid black; width: 20px; height: 10px; display: inline-block;"></div>

Dear Heath,

Further to our earlier conversation I confirm that our mutual client is in the process of enhancing the monthly financial reporting with effect from the July 2012 results.

We are in the process of updating the three way model for the 12 months ending 30 June 2013 and this will continue to show Divisional Revenue, Margins and Profit as well as Consolidated Cash Flow and Balance Sheets.

The standard monthly reporting pack will include:

1. Divisional Revenue Margins and Profit for each month as well as year to date with a comparison to budget and any variance identified. It will include monthly Balance Sheets. This report will form the back bone of the overall measurement of the Divisional and Business Profitability relative to budget and will clearly identify any variances.

2. Snapshot by Division on updated forecasts for the year which includes:

- Turnover ("works in hand" separated from "win and do")
- Gross Margin
- Overheads

- Net Profit
- Bank Guarantees/Insurance Bonds Facilities - used and unused

3. Daily Cash Flow forecast for the next 30 days.

4. Financial Controllers/Managing Director commentary on:

- General business performance
- Any issues on particular projects
- Variances
- Future Working Capital
- Any other matters worthy of consideration by the State Managers and Advisory Board

These reports would ordinarily be available in the last week of the following month.

In addition a wip summary by state can be provided.

I would hope that the above information is adequate to meet the bank's needs and if any results/trends are emerging that are an issue I would anticipate that they would be dealt with in point 4 above. If, having received the above information, the bank requires anything further it would obviously be provided.

Please discuss my suggestion with Matt.

Regards

Norman Metz | Director

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GMK Partners Pty Ltd | Chartered Accountants

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Facility	Guarantee	Favouree	Issue Date	AUD Amount	Return Date
476679688	175817450	NEW SOUTH WALES LAND & HOUSING	5/07/2010	\$ 54,111.00	1/10/2013
476679688	119032042	AUSTRALIA PACIFIC AIRPORTS	8/09/2011	\$ 90,721.00	1/10/2013
476679688	127010265	THE TRUSTEE FOR THE 199 TOORAK	16/01/2012	\$ 18,917.00	1/10/2013
476679688	128371935	UNITING CHURCH IN AUSTRALIA	31/01/2012	\$ 88,745.00	1/10/2013
476679688	146232242	COLES GROUP PROPERTY	26/10/2012	\$ 518,625.00	1/10/2013
				\$ 771,119.00	