



Australian Guarantee

Corporation Limited

(Incorporated in NSW)

A member of the Westpac Group

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45.04.00/MK

29th August 1986

Mr G Thompson
4 James Street
WHITTLESEA VIC 3757

Dear Mr Thompson,

I have now had the opportunity to review the various aspects of your undated letter and its follow-up of 5th August 1986, addressed to our Directors. You have subsequently written on 22nd August and 25th August to the Directors and most recently have passed a message to me requiring written answers by Monday next, 1st September.

It is not clear from any of this correspondence just exactly what the basis of your claim on the company comprises.

It is evident that in May 1979 a loan to the Buchanan interests was approved by General Credits Ltd to discount mortgages and take assignments of terms contracts of sale. In November 1979 General Credits Ltd advanced funds in relation to a proposed sale of 10 lots of land from Buchanan to Thompson. At or about the time that the Contract of Sale was to mature, the vendor sought release of title to Lot 28, in consideration of a reduction of the loan by \$10,000.

In January 1982 after General Credits Ltd initially declined an earlier submission due to the complexity of the dealings between vendor and purchaser, a loan of \$83,750 was approved, which was subsequently honoured.

In May 1982 Transfer of Land for the 9 lots was signed by all parties and held by the company's branch. In December 1982 a further loan of \$80,000 to Woodleigh Heights Marketing Pty Ltd (of which Mr Thompson was a director) was approved for the purpose of buying out the debt owed by Thompson. The security for the loan was a registered first mortgage over the 9 lots, plus collateral securities from the Thompsons and an unrelated company. This loan was finally funded in May 1983, at which time a Deed of Cancellation was signed by Thompson which recognised the treatment of Lot 28, by cancelling the 1979 contract, which had been based on 10 lots. The loan was eventually paid out in December 1985.

Since 1982 there have been continuing complaints by you regarding the company's handling of these matters, but I can find no support for any claims of impropriety on the part of General Credits Ltd officers, nor indeed can any basis of claim by you against the company be envisaged.

Certainly differences of accounting treatment between GCL and AGC existed, which at the time of the merger, led to inconsistent handling of account numbers, etc, but these have no material effect on any transaction, and are purely internal matters.

We have answered your questions in the attachment.

Should at this late stage you feel that there is any basis of claim against AGC, I should be pleased if you would communicate, as indicated by Mr Nilsson, with the solicitors handling this matter, Messrs Mills, Oakley & McKay, as the basis of your concern appears to rest with past legal transactions of a complexity requiring their involvement.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R A Robson', followed by a horizontal line.

R A Robson
Group General Manager

ATTACHMENT TO LETTER DATED 29TH AUGUST 1986

1. Q. Was account number S93-03459-1SS properly approved and established.

A. Properly approved but not established in terms of procedure at that time by the Branch.
2. Q. Was the \$562.00 paid by myself in account establishment and search fees properly appropriated. If not, please supply complete details of the misappropriation of this money together with reasons for this misappropriation.

A. Yes, to the best of our belief.
3. Q. Did the search paid for by myself reveal that lot 28 had been sold to Woodleigh Heights Resort Developments P/L and if so, why was this fact not communicated to myself at that time. If the search did not reveal the missing lot, why not.

A. Search of title for Lot 28 did not reveal any change in proprietorship in January 1982. This was not communicated to Thompson as our dealings were with Buchanan.
4. Q. Was the interest paid by myself in respect of loan number S93-03459-1SS properly appropriated to that account. If not, please supply complete details of the misappropriation of this money together with complete reasons for the misappropriation.

A. Yes.
5. Q. Was the principal paid on May 12th 1983 by myself and my associates in settlement of account S93-03459-1SS properly appropriated to that account. If not, please supply complete details of the misappropriation together with complete reasons for the misappropriation.

A. Yes.
6. Q. Is it a usual practice of AGC/GCL to change the account number of an existing ledger when a new loan is granted.

A. Not for AGC, but it was practised in certain circumstances in GCL by journal entry, for an existing debt in the same name.
7. Q. Why does internal documentation indicate that my application for the above loan was refused.

A. Application declined 11/1/82 - resubmitted and approved 23/1/82.

8. Q. Please explain how it is that internal memoranda indicates that subsequent to the abovementioned refusal of my loan application a letter requesting payout of the assigned contract was sent to myself whereas no such letter was received by myself.
- A. Letter sent to the vendor, Buchanan - not Thompson.
9. Q. Please confirm that the letter of 26/1/82 which specifically approved loan number S93-03459-1SS is valid and had the full authority of head office.
- A. Confirmed (see 7).
10. Q. Please explain the complete circumstances surrounding the partial withdrawal of caveat executed by GCL in respect of lot 28.
- A. Caveat lodged over 10 lots by GCL. Partial withdrawal given on release of Lot 28 by Reservoir Branch.
11. Q. Please explain the full circumstances surrounding the fact that GCL on or about the time of executing the abovementioned partial withdrawal of caveat relinquished control of the duplicate certificate of title to lot 28 while retaining the remaining nine duplicate certificates of title in the relevant securities envelope at Reservoir Branch.
- A. We understand that title for Lot 28 was released to and at the request of the vendor for \$10,000.00 reduction in outstandings. Negotiated between vendor and Branch Manager.
12. Q. Please advise the source of the \$10,000.00 paid to GCL on the 9/12/81.
- A. Believe paid by vendor - Buchanan.
13. Q. Please advise whether the abovementioned \$10,000.00 was received as payment for the release of lot 28 and if so, did GCL "SELL" Lot 28 for \$10,000.00.
- A. See 11. GCL did not sell Lot 28, but may have been referred to as "vendor", in keeping with usual legal terminology where interests are assigned.
14. Q. Please advise why GCL never advised myself of the receipt of the abovementioned \$10,000.00.
- A. Matter transacted between vendor and Branch Manager. Any other action unknown.

15. Q. Please advise how GCL proposed to supply all ten lots had I not taken up its offer of finance and proceeded to settle with the finance from my bank for all ten lots.
- A. This would have been possible, as it would have preceded the release to Buchanan of the 10th lot.
16. Q. The finance which was offered to me by GCL in December of 1981 was on more favourable terms than that which I had negotiated with my bank. Was this unsolicited offer of finance on such terms designed to overcome the problem of having to supply ten titles had I refinanced elsewhere.
- A. No.
17. Q. Was GCL or AGC aware of any co-existing contracts for lot 28.
- A. No.
18. Q. Is AGC still unable to locate any evidence of impropriety or irregularities within its files.
- A. No impropriety has been discovered. The only obvious irregularity was the setting up of the first loan account in the name of Thompson instead of Fair Valley Pty Ltd (Buchan/vendor's company), and setting up by Branch of fresh account without all supporting documents.
19. Q. At the time of the alleged establishment of account S93-03459-1SS were any Taxes or Duties payable in respect of loans of this nature and if so, were these Taxes and/or Duties paid by GCL in respect of this loan. If not, why not.
- A. No. Loan allowed to continue past maturity date of Contract of Sale, on basis of approval held by Branch. Ad valorem duty would have applied if executed documents had been returned to Branch. Continuance of account on fresh terms was on basis of implied rather than actual contract.
20. Q. When was the account number on the ledger card changed from S93-01415-2SS to read S93-03459-1SS.
- A. Cannot establish from records available - believe to be December 1981 - recorded as a commitment in the Branch records.
21. Q. Was the alteration of account numbers on the ledger card properly done and in accordance with the usual practices of GCL/AGC. If not, what was the purpose of this alteration and why did AGC represent this ledger card as being the proper ledger card for A/C S93-03459-1SS.
- A. Refer question 6. The new account number was allocated to record the fresh commitment and the future responsibility for the loan was to be changed. Prior to maturity date of the Contract of Sale, interest payments were shared by Buchanan and Thompson, principally the latter. Also recorded to reflect control for changed form of security, to be taken.

22. Q. As AGC claims that account S93-03459-1SS was properly approved and funded and also claims to be in possession of the proper ledger card for this account, how does it explain the fact that all internal documentation of AGC sighted by myself specifically indicates that this account never existed.
- A. The new contract existed in Branch records. The approving authority, the then GCL HO, continued to record the second loan under the original contract number in its correspondence. There were irregularities, which the HO Credit Division was trying to have the Branch rectify.
23. Q. Please explain why all internal AGC documentation sighted by myself specifically indicates that account S93-03459-1SS never existed while all communications and documentation and interest accounts sent to myself since the approval letter of 26/2/82 specifically refer to the new loan and the specific conditions and terms of the new loan (S93-03459-1SS).
- A. See 22. Branch adopted terms and conditions of second loan approval, and fresh account number, as though executed documents had been returned (which they were not completely), and processed.
24. Q. Was all communications with myself since 26/2/82 designed to deceive me. If not, why was this correspondence at absolute variance with the evidence which I have discovered to be readily available within the records of AGC.
- A. No attempt to deceive is obvious from the records. Branch considered second account to be on foot and represented it as such to Thompson.
25. Q. Does AGC have any internal audit system. If so, did it discover any irregularities in respect of the two accounts in question (S93-01415-2SS & S93-03459-1SS). If not, why not.
- A. Yes, but it appears that this account was not among the samplings taken, and appears to not have been referred specifically to Internal Audit.
26. Q. I communicated my concerns in this matter to the Directors of AGC by certified mail. Did the directors ensure that an adequate search for evidence of my claims was made. If not, why not.
- A. The Group General Manager, on behalf of the Directors, has undertaken an investigation into the background to the claims.
27. Q. I understand that AGC has obtained a barrister's opinion in this matter. If AGC was unable to locate any evidence of my claims upon what was this opinion based.
- A. From files supplied to Barrister via our Solicitors.

28. Q. Did GCL reassign lot 28 to the Buchanans prior to the transfer of this lot by the Buchanans to Woodleigh Heights Resort Developments P/L or at any time since.

A. Title and Withdrawal of Caveat handed to Buchanan, we believe in exchange for \$10,000.00. We think no formal re-assignment effected at the time of the release, as there should have been.

29. Q. Does AGC still deny any responsibility in this matter.

A. Yes.