OEM / HAYMILLS

A Review of the Payments made by Government to the OEM Group of Companies and Haymills (Gibraltar) Ltd

OEM / HAYMILLS

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Section 1

A Review of the Payments made by Government to the OEM Group of companies and Haymills (Gibraltar) Ltd

Introduction

1.1 The Government of Gibraltar (GoG) asked the Principal Auditor to establish whether the payments made by GoG to OEM (International) Ltd (OEM) and Haymills (Gibraltar) Ltd (Haymills) in respect of the south district housing developments were specifically used to pay creditors of the three developments. The history of these transactions are summarised in Press Release No. 92/2012 dated 7 February 2012. GoG repossessed the sites from the OEM group in December 2007.

Executive Summary

OEM's £7m Claim

1.2 The amount of £7m was claimed by the liquidator of OEM from GoG, who agreed in principle subject to the south district housing developments not generating a loss (it was thought at the time that this would be the case). GoG established that the net payments made by OEM in relation to the developments totalled £6.98m (see Section 4).

1.3 After a detailed review of the figures it became evident that the housing developments had made a loss of £2.8m (see Section 5) and therefore GoG decided not to settle the claim.

1.4 If consideration is given to pay the claim, it should be noted that OEM owed a total of £85,486 to GoG (£43,825 in respect of Income Tax, Corporation Tax and Social Insurance; £41,125 in relation to payments made by GoG to Hassans on behalf of OEM and £546 Rent and Rates in respect of the OEM group of companies) that should be deducted.

GoG's Account

1.5 A statement of account has been prepared showing the income and all expenses incurred by GoG in relation to the south district housing developments (see Section 5).

1.6 The payments made by OEM to Haymills were based on the works certification carried out by John Licudi Consulting Ltd. John Licudi Consulting Ltd continued certification of works when Gibraltar General Construction Company Ltd (GGCC) took over.

GoG Loan to OEM

1.7 The review team verified and confirmed that after receiving the GoG loan of £4m, i.e. £3m on 5 July 2006 and £1m on 20 February 2007, OEM made payments to Haymills and other creditors in connection with the three south district housing developments in excess of the loan granted. Overall £5.53m was paid to Haymills and £0.53m to other creditors (£214k to John Licudi Consulting Ltd, £191k to Belilo and

Partners, £55k to E&M Consulting Engineers Ltd, £37k to GC Architects Ltd and £30k to Golder Associates (UK) Ltd).

Retention Money paid to Haymills

1.8 Towards the final stage of construction, Haymills was paid £250,000 of the retention account totalling £860,853 in order to alleviate their financial difficulties. It was not possible to ascertain what this money was used for, as the financial records were not available for examination.

Haymills Financial Information for the Review

1.9 It must be pointed out that important financial information for the review was very hard to obtain and time consuming, particularly in relation to Haymills. Anthony (Tony) Harris (Haymills Project Manager), Steven Farrant (Haymills Group Financial Director) and Vinci Construction Ltd (UK company who took over Haymills' affairs) did not provide the relevant financial information for this review. Haymills financial records held in a store by the liquidator could not be properly accessed due to the poor state of the store and contained numerous unreferenced boxes. Mary Diana Etherington (Haymills' bookkeeper and Tony Harris' sister-in-law) was unreachable and, the Liquidator of Haymills and their Auditors had very limited financial records at their disposal.

Conclusion

OEM

1.10 The review team verified and confirmed that OEM paid more than the £4m total loan granted by GoG to creditors related to the three south district housing developments (as explained in Section 3).

1.11 OEM's bank account had an overdraft of £4.35m on receipt of the initial £3m loan. The overdraft reached £13.62m at the end of business 03/12/07. The south district sites were repossessed by GoG on 04/12/07.

1.12 The review team was informed by the liquidator that OEM's financial statements were never audited.

Haymills

1.13 Due to a lack of financial information available, it was impossible to determine; as a result that continued requests to Haymills' liquidator, auditor and accountant failed to produce the relevant accounting records; whether Haymills used the funds received from the GoG loans granted to OEM and payments received directly from GoG, for the intended purposes.

1.14 Requests regarding sight of the accounting records for the period in question were made to Tony Harris. However, he asked the review team to contact Steven Farrant, who redirected the team to Vinci Construction Ltd who did not have any information. The review team was unable to speak to Mary Diana Etherington.

1.15 The review team were able to verify that P8's in respect of the company's employees were presented to the Income Tax Office up to the point that Haymills was running normal day-to-day operations (approximately July 2009). GoG terminated the 3 contracts with Haymills on 6 August 2009. However, Haymills owes GoG the sum of £1.61m in unpaid Income Tax (£1.06m) and Social Insurance (£0.55m).

1.16 The review team was informed by the liquidator that Haymills had their financial statements audited up to the year ended 31 March 2008. Requests made to Haymills' bankers, Natwest (Gibraltar) Ltd, did not produce the detailed information expected. No reply had been received at the close of this report from Barclays regarding requests made by the liquidator, on the review teams' behalf, to determine whether Haymills did hold bank accounts in Barclays or beneficiary account information on payments made by OEM to Haymills.

Section 2

Background

2.1 On 7 February 2012, GoG asked the Principal Auditor to conduct a full forensic audit of payments made to OEM and Haymills in respect of the south district housing developments, (i.e. Nelsons View; Cumberland Terraces & Bayview Terraces).

2.2 In January 2005, a tender notice was released regarding the development of Buena Vista Barracks and part of North Gorge. GoG was encouraging the establishment of a hotel within the Barrack Block, although it was open to other proposals for its future use, but the rest of Buena Vista site was earmarked for quality housing and the North Gorge site was earmarked for affordable housing.

2.3 On submission of tender, OEM (International) Ltd offered a premium of £15m. This consisted of £1m for the Cumberland Road site, £1m for a site to be identified by GoG (i.e. Rosia Tanks site which became Nelson's View), £1m donation and the remaining £12m was for Buena Vista and North Gorge.

2.4 By the end of June 2005, OEM was selected as the preferred bidder. The premium offered for these plots of land was £15m. The scheme was supposed to be completed within 36 months of acceptance of the tender at an estimated cost of £73m. The proposed payments were 10% (£1.5m) of the premium, within 14 days of acceptance and the remaining £13.5m on the date of execution of the Agreement. The £1.5m was paid on 14 October 2005 and a payment of £3m was made on 25 January 2006.

2.5 Given the number of objections raised to the construction of Nelson's View and Cumberland Terraces, GoG decided to address some of these issues by reducing the number of floors in both buildings. In lieu of the lost units, the construction of a third building was provided, i.e. Bayview Terraces.

2.6 Gibraltar Residential Property Limited (GRP) granted a loan to OEM of £3m, on 5 July 2006, to be repaid by 31 December 2006 and on 20 February 2007 granted a further loan of £1m to be repaid within three months, as a result of OEM's inability to complete negotiations with their bankers to secure the funding required for the project. Both loans were secured on the assets of OEM. However, these loans were never repaid.

2.7 GoG requested OEM to reduce the total unit sales price by £3m, thus reducing OEM's profits by the same amount. In return GoG reduced the premium by £3m, from £15m to £12m. GoG then requested that the sales price be reduced by a further £3m in return of a five year licence over a site in Aerial Farm on which a concrete plant was to be built and operated. By September 2006 only £4.5m of the £12m premium had been paid. GoG agreed for the remaining balance of £7.5m to be settled through the construction of a Worker's Hostel at Devil's Tower Road by OEM.

2.8 The loans issued by GoG to OEM had not been repaid and construction of the hostel had not begun by August 2007. GoG informed OEM that unless confirmation was received, by the end of August 2007, that funds totalling £7.5m were deposited in a Gibraltar bank account, as guarantee for the construction of the hostel, GoG would have no option but to take whatever action it deemed necessary.

2.9 OEM requested a letter of guarantee from GoG in order to continue receiving financial support from their bankers.

2.10 In October 2007, OEM claimed that there were no further funds to continue running the day-to-day operations of the business and that the bank's facility was held back due to the purported GoG letter of guarantee not being issued. The guarantee was a liability on GoG in that if unsold units became an issue to the bank, GRP committed to purchase these from OEM. It appears that 2 different types of guarantees were requested by OEM (or indirectly by the bank) from GoG; 1) guaranteeing unsold flats be purchased by GRP; and 2) mortgage defaulters made good by GoG.

2.11 On 4 December 2007, OEM was informed that since they did not have enough funding to complete the projects and they had failed to comply with the provisions of the agreed negotiations, all sites were repossessed, licences revoked and leases forfeited. GRP became the developer and continued to work with the existing contracts under the same terms and conditions i.e. Haymills. This meant that all revenue from the sale of the properties was received by GRP except for the reservation deposits already paid to OEM amounting to £307,000 and honoured by GRP.

2.12 A proposal was made by GoG to OEM on 18 April 2008 resulting in a payable sum of £6,977,738 to OEM but reduced by the amount by which the projects' costs to completion exceeded the remaining projects' sales proceeds. This excluded any additional works or variations ordered by GoG, since the take-over. The "south district housing developments" made a net loss of £2.8m after adding back £3.4m in respect of the cost of improvements, which were instructed by GRP and that did not form part of the original contract with Haymills.

2.13 Towards the final stage of construction, Haymills was paid £250,000 (5 payments, all by cheque, of £50,000 between June and July 2009) of the retention account totalling £860,853 in order to alleviate their financial difficulties. It was considered at the time that the Cumberland Terraces construction was approximately 93% complete, in accordance with John Licudi Consultants advice, with completion to be achieved three months thereafter, and so this amount was, in effect, accelerated by three months.

2.14 In August 2009, GRP terminated the three contracts with Haymills as the company had become insolvent and that entitled GRP to terminate the contracts at any time by giving written notice. GRP appointed GGCC to complete the projects. Flats were handed to owners between the end of 2010 and the beginning of 2011.

Approach

2.15 The following activities were undertaken during the investigation:

- Meetings were held with senior officers of Land Property Services Ltd (LPS), Financial Services (formerly Department of Enterprise and Development), Treasury, Financial Secretary's Office, No.6 Convent Place, Mr Freddie White (Grant Thornton) (liquidator of OEM and Haymills), Mr Joseph Canilla (Canillas – OEM auditor), Mrs Desiree McHard (BDO Ltd – Haymills auditor) and Mrs Vanessa Ramos-Israel;
- Email and telephone exchanges with Companies House (Gibraltar) Ltd, Treasury, Financial Secretary's Office, Mrs Jackie Azzopardi (GRP), Mr Freddie White, Mrs Desiree McHard, Natwest (Gibraltar) Ltd (Haymills bank), Barclays Bank (Gibraltar Branch), Income Tax Office, Customs, Gibraltar Electricity Authority, Tony Harris (Haymills Project Manager), Steven Farrant (Haymills Group Financial Director) and Vinci Construction Ltd (UK company who took over Haymills affairs);
- Detailed examination of pertinent files held by LPS and Financial Services;
- Detailed examination of accounting records held by Treasury, the liquidator and BDO Limited; and
- Physical examination of Haymills accounting records held in a store at 9/11 West Place of Arm's, Coral Road.

2.16 The work timeline in Section 8 details the work performed in conducting the audit investigation and, in many instances, explains the excessive delays experienced in receiving information and/or authorisation to examine financial information and records.

2.17 The liquidator of Haymills was contacted in order to obtain and examine all their financial records and information. However, all files could not be accessed due to the bad state of their physical storage. These were kept in a store at 9/11 West Place of Arm's Coral Road, which contained numerous boxes, piled up in no particular order and without any reference. A significant number of boxes were opened but, unfortunately they contained very old records, which were irrelevant/fruitless for the audit investigation.

2.18 Notwithstanding that some recent Haymills Natwest bank account statements were found, upon further inspection it was noted that the transaction descriptions were too vague as most of them were cheques and bank transfers. Natwest (Gibraltar) Ltd was contacted with a view to try to obtain further information of the cheques drawn from the bank. The bank required authorisation from the liquidator, which was eventually granted. Bank statements for the account were requested in order to try to establish that payments received from OEM (with GoG's money from the £4m loan) were used for the purpose of the construction of the three south district housing developments. Upon perusal of the Natwest bank account statements the audit examiners were unable to identify the payments made by OEM, as descriptions on the bank statements were again too vague.

2.19 Natwest Bank was asked if they could carry out a name search under "Haymills" and provide the review team with other accounts. However, the Bank replied that they did not have the capability of a name search for accounts closed more than 12 months prior. Natwest managed to provide the review team with further bank account statements which proved fruitless.

2.20 Barclays was asked to provide the audit examiners with details on the beneficiary account on payments made by OEM to Haymills. The liquidator was requested to authorise Barclays Bank to provide details on the beneficiary bank account. The authorisation letter was sent on 18 March 2013 but as at the date of this report 19 June 2013, after chasing via emails and phone calls, no reply had been received from Barclays Bank.

Section 3

GoG's Loan to OEM

3.1 On 5 July 2006, GoG provided a short-term interest free loan of £3m to OEM, to be repaid when OEM received the first £3m in reservation fees and deposits, but OEM confirmed that in any event the loan would be repaid by the end of the year. However, this loan was never repaid.

3.2 GoG provided a further short-term interest free loan of £1m on 20 February 2007 to be repaid within three months. In the event of default in the payment of any capital, the loan facility would become repayable in full and OEM would pay interest at 3% above the Bank of England Repo rate. The loan was secured on assets of OEM.

3.3 The loans were not repaid by the due dates and no interest was charged. After several letters/emails, GoG requested that the £4m be paid by 31 August 2007. Again, this never materialised. The last position on this issue was that Minister Holliday was directly dealing with this matter and that repayment was not envisaged before the end of March 2008. However, the loan was never repaid.

3.4 OEM's bank statements were obtained from Grant Thornton for inspection to determine whether payments made by OEM to Haymills and other creditors related to the three developments after the GoG loan was granted amounted to at least £4m. The review team confirmed that £5.53m was paid to Haymills and £0.53m was paid to other creditors related to the three south district housing developments, so it can safely be said that the £4m loan given to OEM was used to pay creditors related with the construction of the three south district housing developments. However, after receipt of the £3m loan in OEM's bank account, OEM purchased a Bentley for £157,500, paid the company Barclaycard of around £50,000, withdrew £30,000 and €60,000 in cash (for repairs to private dwellings and what appears to be for other private expenses). A total of £1.23m was transferred to Prime Trust and Prime Trust deposited £459,426 into OEM's bank account.

3.5 Notwithstanding the above, on reviewing the bank statements, it was observed that the account had an overdraft of £4.35m on receipt of the £3m loan and towards the end of business (03/12/07) the overdraft reached £13.62m.

Section 4

OEM's £7m Claim and Haymills outstanding arrears

4.1 The Liquidator claimed £7m from GoG. GoG agreed in principle, subject to the developments not generating a loss, and given that the amount being claimed was generally in line with GoG's own account:

Amounts paid by OEM to Haymills		£7,566,598
Amounts paid by OEM to consultants		£1,621,140
Amounts paid by OEM in respect of the ex-Steelmac site		£290,000
		£9,477,738
Less: Amount paid to OEM with GRP funds		(£4,000,000)
		£5,477,738
Add: 75% of premium paid by OEM for Buena Vista site which was then repossessed by GoG (Cumberland and Nelson's View allocated both £1m premium)	*Note 1*	£1,500,000
		£6,977,738

Note 1: The review team could not establish why this sum was considered. Firstly, the actual premium amount paid for the affordable housing was £3m not £2m as the £1m donation was distributed between these 2 projects. Secondly, it is unknown why the £1.5m of Buena Vista was not taken into account as the total amount paid was £4.5m and thirdly, why only 75% was considered.

4.2 GoG made reference to this in its press release No.108 of 15 February 2012. GoG was confident of not making a loss, and both parties agreed to this settlement. However, following a detailed review of the figures, it became evident that the developments were expected to make a loss, which meant that the liquidator's claim could not be settled.

4.3 It was stated in Vanessa Ramos's report that there is no legal obligation for GoG to entertain this (or any) claim by OEM or its liquidator (in accordance with the Development Licence). GRP's obligation would be to pay the lesser of 50% of sales or rental proceeds, or 75% of cost of labour and materials expended by OEM in the event of the development area being sold or let. Neither of these scenarios materialised since it was GoG itself that continued the development following revocation of OEM's development licences.

4.4 If consideration is given, at any point, for the claim to be paid, the following debts should be deducted from the amount payable:

Income Tax, Corporation Tax & Social Insurance - OEM	(£43,825)
Rent/Rates - OEM Group of Companies	(£546)
Payment to Hassans on behalf of OEM	(£41,125)
	£(85,496)

4.5 In addition, it was also noted that Haymills had arrears due to GoG as follows:

Income Tax, Corporation Tax & Social Insurance - Haymills Group of Companies	(£1,616,110)
Rent/Rates - Haymills Group of Companies	(£820)
	(£1,616,930)

4.6 Whilst reviewing payments to Haymills the review team found several inconsistencies as highlighted hereunder:

HAYMILLS PAYMENTS

Paid by OEM as per bank statements:

	Total Retention	Actual Net Payments	Total
Cumberland Terraces	£108,862	£3,576,879	£3,685,741
Nelson's View	£87,933	£2,900,075	£2,988,009
Bayview Terraces	£33,827	£1,093,733	£1,127,560
		£7,570,687	

Per Treasury Statement:

	Total Retention	Net Payments	Total
Cumberland Terraces	£110,519	£3,573,459	£3,683,978
Nelson's View	£89,693	£2,900,073	£2,989,766
Bayview Terraces	£33,806	£1,093,066	£1,126,872
		£7,566,598	
Difference to bank statements		£4,089	

Per Grant Thornton:
Liability due to OEM re Haymills

Cumberland Terraces	£4,058,776
Nelson's View	£3,380,594
Bayview Terraces	£1,235,676
	£8,675,046
Difference to bank statements	£1,104,359

Section 5

GoG's Account

5.1 The statement of account hereunder shows the income and all expenses incurred by GoG in relation to the south district housing developments.

GoG's ACCOUNT - South District Housing Developments

RECEIPTS		
Revenue received by GoG:		
Premium received from OEM		£4,500,000
South district housing developments	*Note 1*	£45,805,000
Insurance Proceeds		£682,807
Total Receipts		£50,987,807
Less: GoG expenditure - south district housing developments	*Note 2*	(£57,218,900)
		(£6,231,093)
Add back cost of betterments (not included in original contract)		£3,435,313
Adjusted Net Loss		(£2,795,780)

Other Factors: Amounts not taken into consideration as it is felt they are irrelevant for the above calculation

Credit for price reduction by OEM at GoG request		£3,000,000
Insurance recovered paid directly by insurance company to Income Tax Office to settle outstanding debts due by Haymills		£400,000
Swimming Pool	*Note 3*	£1,000,000
Workers Hostel: Linked to a 5-year lease in the ex-Ready Mix site		£7,500,000
Estimated value of ex-Ready Mix site	*Note 4*	£500,000

Notes:

1 South district housing developments

Sales proceeds (purchasers' share)	£34,147,914
GoG share retained	£11,964,086
	£46,112,000
Less deposits received by OEM and honoured by GRP	(£307,000)
Sales proceeds	£45,805,000

2 GoG Expenditure

Loan to OEM	(£4,000,000)	
Paid to Haymills	(£28,084,244)	
Paid to GGCC Ltd	(£19,803,281)	
Retention to be paid to GGCC Ltd	(£236,446)	
Total Contractor costs		(£52,123,971)
Paid to consultants:		
Golder Associates (UK) Ltd	(£270,511)	
John Licudi Consulting Ltd	(£1,261,426)	
GC Architects Ltd	(£604,940)	
Belilos Ltd	(£543,393)	
E&M Consulting Engineers Ltd	(£253,024)	
Safety Services Ltd	(£58,660)	
		(£2,991,954)
Wall retention:		
Sharrock Shand Ltd		(£122,721)
Infrastructure costs		(£1,980,254)
		(£57,218,900)

3 Community project carried out by OEM at no cost to GoG - value of GASA Swimming Pool estimated at £1m by LPS (this appears to have been the £1m donation referred to in 7.2 below).

4 GoG's assets released – ex-Ready Mix site - Unable to provide an accurate opinion on market value as there are no details of size, content and nature of development. However, LPS estimates that GoG could expect to receive a premium of around £500,000, whether it's commercial or residential development. This site does not form part of the 3 south district housing developments.

Notes (continued):

5 OEM proposed a stone crusher business to GoG and concerns were discussed with the Ministry of the Environment on January 2007. On 10 June 2008, a licence for crushing and recycling of construction and demolition waste was granted to Castledine Limited, expiry date 10 June 2010. In January 2009, Castledine applied for an extension to the site which included the set-up of a concrete plant on site. Two planning permits were issued to Castledine regarding the construction of a boundary wall and the demolition of the old incinerator structure, which expired on 28 February and 31 March 2010 respectively. Paul Naughton Rumbo informed the review team that no fresh applications had been submitted by Castledine. It is not deemed that this project should have a financial impact on the overall profit or loss, as licences were not issued to OEM.

Section 6

Conflict of Interest

6.1 In 2005 tender offers were invited by GoG for construction work of an affordable Housing project to be carried out. OEM (International) Ltd was awarded the tender in June 2005 and GoG negotiations were conducted by Minister Holliday, whose family interests had received payment for a property by OEM around the same time.

6.2 When OEM (International) Ltd was awarded the tender, the shareholders were Prime Securities Ltd and Prime Nominees Ltd, whose director was Darren McComb. In June 2005, Prime Management Ltd was the sole Director. Prime Management Ltd resigned on 30 August 2005 and Robert Noonan and Darren McComb were appointed directors of OEM (International) Ltd on the same day.

6.3 The chain of events that took place in relation to the sale of property 14 Mount Road – Dwelling & Garage can be seen at 6.11.

6.4 Property 14 Mount Road (Dwelling & Garage), which was owned by Holliday Ltd, whose shareholders were and continue to be Maria De Los Angeles Holliday (Mr Holliday's Mother) and Holliday (Holdings) Ltd, was sold to Yogy Trading Ltd for £1,700,000 on 6 October 2005. (Note: on 14 October 2005 OEM paid £1.5m to GoG, 10% of the full premium).

6.5 From Companies House profile of Holliday Ltd it was established that Mr Joseph Holliday was re-appointed as director on 11 January 2005 and resigned on 20 April 2005 and his mother appointed on the same day of his resignation (5 months later the dealings with OEM took place). It appears that Mr Holliday had also been a director of Holliday (Holdings) Ltd (between 1992 and 2000). Alan Craig was appointed liquidator of Holliday Ltd on 7 October 2005 and the company was (as was the case for Holliday (Holdings) Ltd) voluntarily wound-up on 17 November 2007 (as per Gibraltar Gazette No. 3,501 – Government Notice 912 and 914).

6.6 One of the Directors of Yogy Trading Ltd, when the property was purchased was Prime Management Ltd, who as mentioned above, was a Director of OEM (International) Ltd at the time of the tender award. In addition, one of the Directors of Prime Management Ltd was Darren McComb (also director of both shareholding companies) who was also one of the Directors of OEM (International) Ltd, resulting in a conflict of interest as Mr Holliday was the Minister involved and taking GoG decisions on the project.

6.7 From audit enquiries, it was established that in 2005, Brian Francis & Associates (BFA) carried out the valuation of 14 Mount Road property and it appears that this was valued at £750,000. A Land Property Services Director concurred with this valuation at the time.

6.8 On 13 January 2011 the property was sold by Yogy Trading Ltd to what appears to be an unrelated third party (Vanbren Properties Ltd) for £775,000.

OEM Records/Accounts review

6.9 It was noted during the review of OEM accounts that in October 2005 there were two transfers of moneys from OEM to Yogy Trading Ltd, recorded as loans in the OEM accounts. There is no mention of what the transfers of money were for. However, in the payment instructions documentation (dated Monday 3 October 2005) one of the transfers was a payment of £274,673.23, under special instructions stated "Urgent – today if possible as funds are needed for property completion. Hassans are closed Tuesday and Wednesday". 14 Mount Road was bought on Thursday 6 October 2005.

6.10 In addition, there were two other payments from OEM to Yogy Trading Ltd, in November 2005, in connection to a property (actual property not stated). One of these payments was for £1,100 for a BFA valuation. The other was for £2,220 for property insurance.

6.11 Below is the chain of events in chronological order:

CHAIN OF EVENTS

June 2005
OEM (International) Ltd awarded tender when Prime Management Ltd was Director (and Darren McComb Director of Prime Management Ltd).

August 2005
Prime Management Ltd resigned as Director of OEM and Darren McComb and Robert Noonan were appointed.

October 2005
Yogy Trading Ltd (Darren McComb Director of OEM and Prime Management Ltd which is a Director of Yogy Trading Ltd) bought 14 Mount Road from Holliday Limited for £1,700,000 when the market value appears to have been £750,000.

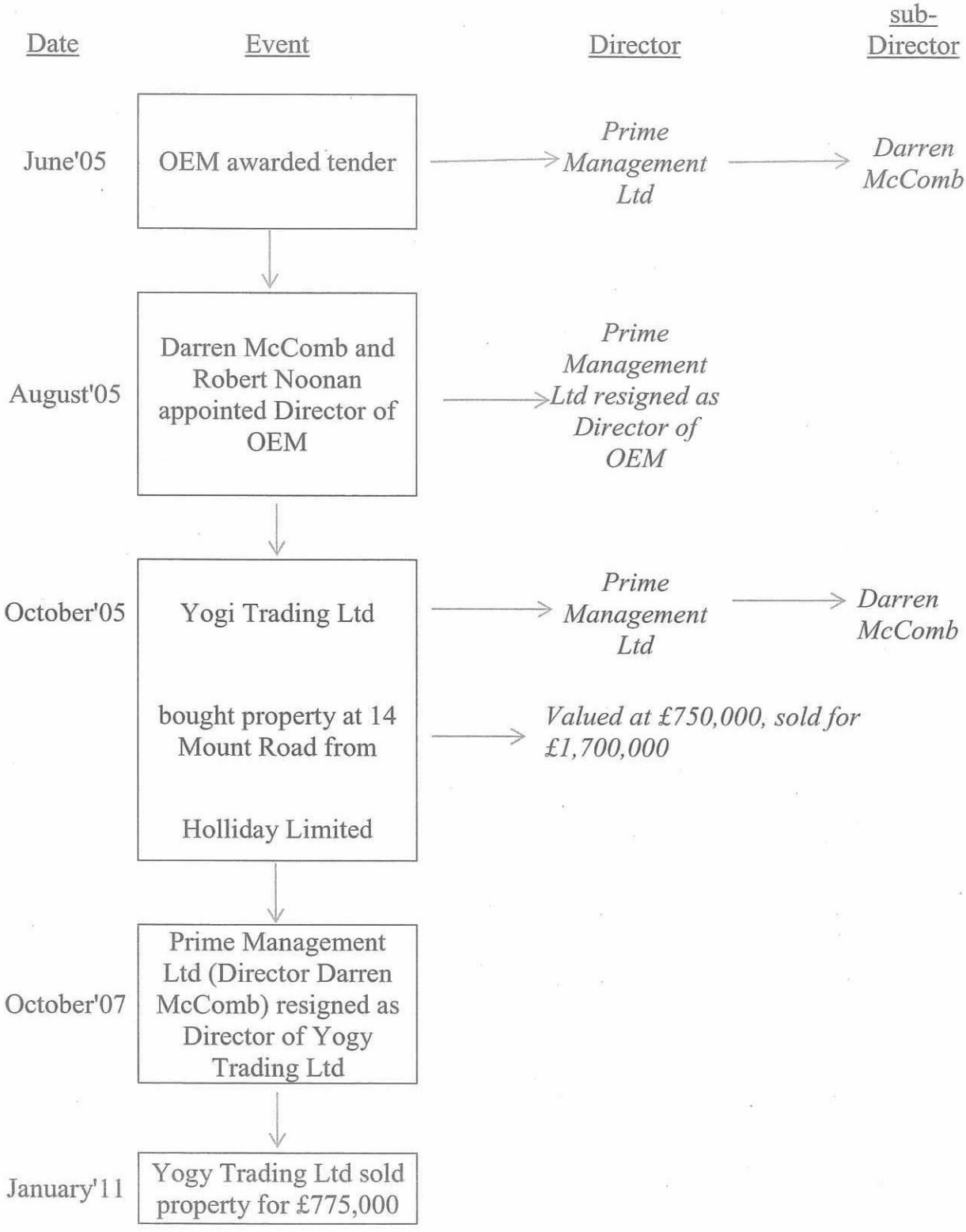
Note: In the same month the 10% (£1.5m) premium payment for the south district housing developments was paid to GoG, and a liquidator was appointed for the voluntary liquidation of Holliday Ltd and Holliday (Holdings) Ltd.

November 2005
Holliday Ltd and Holliday (Holdings) Ltd went into voluntary liquidation.

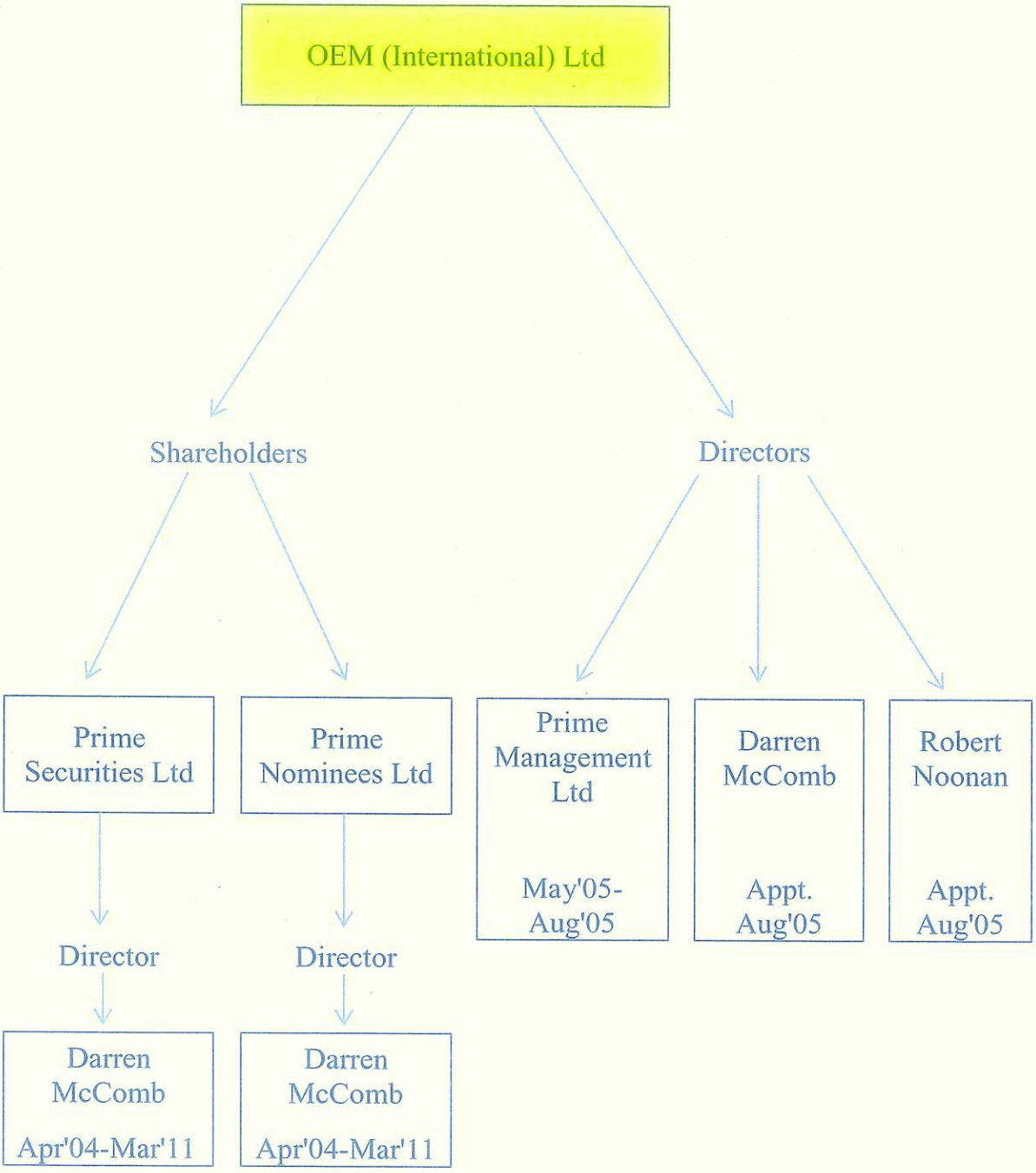
October 2007
Prime Management Ltd (Director Darren McComb) resigned as Director of Yogy Trading Ltd.

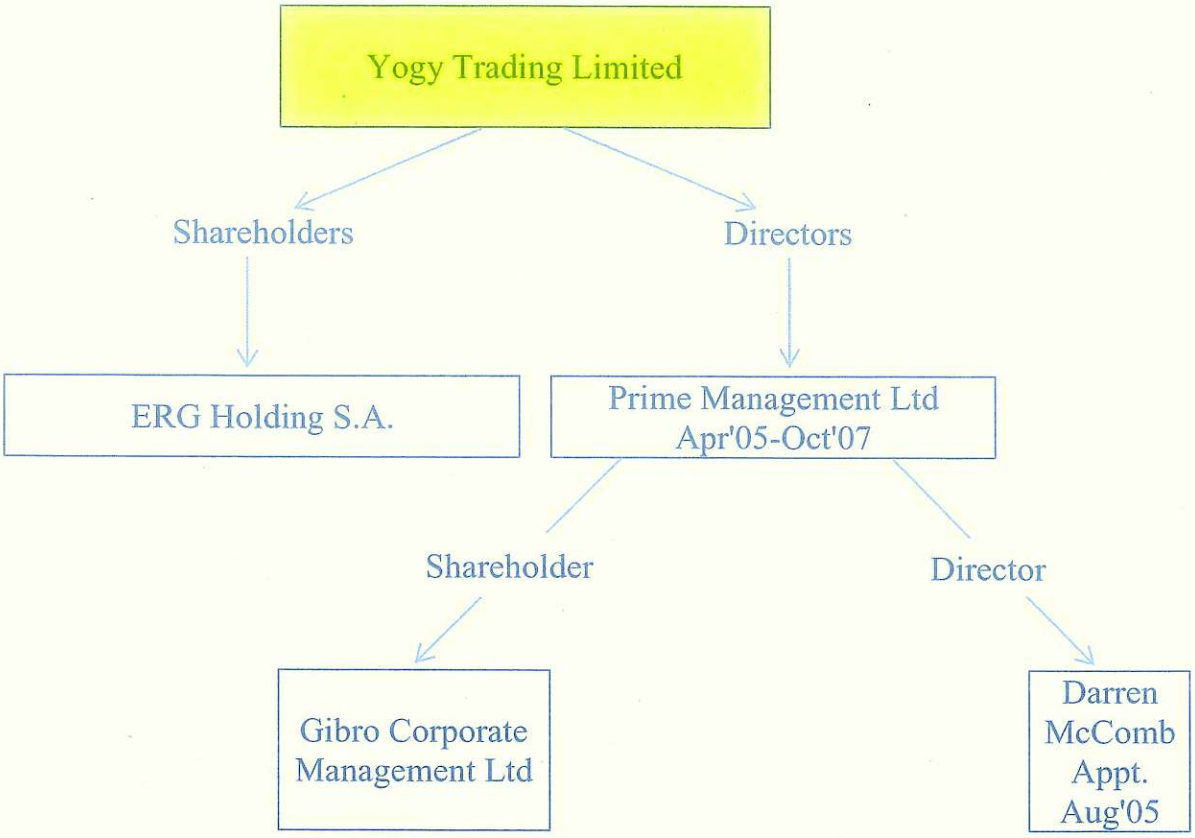
January 2011
Yogy Trading Ltd sold the property for £775,000.

6.12 Below is the group structure of the companies involved in the operation:



6.13 Below is the group structure of the companies involved in the operation:




Yogy Trading Limited
Shareholders
Directors
ERG Holding S.A.
Prime Management Ltd
Apr'05-Oct'07
Shareholder
Director
Gibro Corporate
Management Ltd
Darren
McComb
Appt.
Aug'05

Section 7

Chain of Events

7.1 (LPS – Buena Vista Vol I) Tender Notice – Development of Buena Vista Barracks and part of North Gorge. The tender notice was released in January 2005.

7.2 (LPS – Buena Vista Vol I) Tender replies received around February 2005. The following companies tendered; Montagu Group, OEM, Riera Living Ltd, Buena Vista Developments Ltd and Koala Holdings Ltd. On submission of tender, OEM (International) Ltd offered a premium of £15m, which included £1m for the Cumberland Road site, £1m for a site to be identified by GoG (i.e. Rosia Tanks site which became Nelson's View), £12m for Buena Vista and North Gorge and a £1m donation for the swimming pool.

7.3 (DTI – BV & NG Vol I) Tender application by OEM (International) Ltd offering £15m for areas of land situated at Buena Vista Barracks and part of North Gorge. Scheme would be completed within 36 months of acceptance of tender at an estimated cost of £73m with the following payments to GoG; on acceptance £1.5m, within 14 days; and at the date of execution of the Agreement, £13.5m.

7.4 (LPS – Buena Vista Vol II) Letter dated 30/06/05 to Darren McComb (OEM) informing him that OEM had been selected as the preferred bidder.

7.5 (LPS – Buena Vista Vol II) Receipt, dated 14/10/05, of £1.5m from OEM being 10% of premium IRO North Gorge, Rosia Tanks and Cumberland.

7.6 (LPS – Buena Vista Vol II) Letter dated 29/11/05 from A Falero (LPS) addressed to Minister Holliday showing premium due, total of £15m (£1.12m for Rosia Tanks, £1.12m for Cumberland, £1m donation, £5.88m for North Gorge and £5.88m for Buena Vista). Mr Falero then asked whether the donation to be paid upon execution of the Cumberland and Rosia Tanks licences could be split £500k to each of the licences as part of the consideration therein described.

7.7 (LPS – Buena Vista Vol II) Copy of OEM International Ltd cheque dated 25/01/06 for £3m, together with receipt dated 26/01/06, being the "balance of the premium payments for the development of the Cumberland and Tower Building sites and the Rosia Tanks site". (Written by hand, Note: £1.5m ref. Cumberland, £1.5m ref. Rosia Tanks)

7.8 (LPS – Buena Vista Vol II) Letter dated 10/02/06 with attachment on Gibco Paper, which includes OEM – Buena Vista Barracks - £5,880,000 and OEM ex-Cumberland & Tower Buildings, Rosia Tanks and North Gorge - £1,620,000, £1,620,000 and £5,880,000 respectively (request by Mr A Falero at point 7.6 above executed).

7.9 (DTI – BV & NG Vol III) Letter from OEM to, former Private Secretary (Projects) to the Chief Minister (PS (Projects) to CM), dated 02/02/06 regarding delays

with the Building Licence and inability to complete negotiations with Barclays on funding of the projects. OEM stated that works had continued near schedule, which had been funded from their own resources and utilising funds from their projects in Spain but they had been warned of the tax consequences of obtaining finance via this avenue. So in order to keep with the agreed dates they required a temporary loan of £1m for three months or once the finance was in place, whichever was the earliest.

7.10 (LPS – Buena Vista Vol III) Email from Tony Provasoli (OEM's lawyer) to LPS, dated 15/03/06 analysing the sequencing, premium, dates of completion, potential problems with dates of completion and meeting with Barclays.

7.11 (LPS – Buena Vista Vol III) Letter from LPS to PS (Projects) to CM concerning suggested changes proposed by Hassans, 05/06/06, one of which was to remove the amounts of premium payments due from each of the documents, but LPS preferred to retain the monetary references.

7.12 (LPS – Buena Vista Vol III) Reply from PS (Projects) to CM, dated 10/07/06, stating he also felt that the documents should reflect payments due, that is £3m and the delivery of a workers' hostel for approx. £7.5m (which totalled the amount of premium due of £10.5m, £4.5m already paid). £3m had to be paid by 30/03/07 and this should also be reflected in documents.

7.13 (LPS – Buena Vista Vol III) Draft - LPS's reply to Tony Provasoli dated 26/10/06. Minister Holliday agreed with A Falero in that the £15m premium had to be reflected as consideration in the documentation and should show a split in a proportional basis.

7.14 (Treasury - OEM Loan) Loan offer letter sent to OEM dated 03/07/06. GRP willing to provide short-term interest free loan of £3m, to be repaid by 31/12/06. Default in payment would become repayable in full and OEM would pay interest at 3% above the Bank of England Repo rate. Loan would be secured on assets of OEM.

7.15 (DTI – Aerial Farm) Letter from LPS to Hector Montado (TSD) dated 06/09/06 explaining that the Chief Minister had approved in principle the setting up by OEM of a concrete batching plant at the ex-Shell depot – Williams Way. This plant would be exclusively for the supply of concrete to all OEM construction projects. Given the proximity to the rock face, Minister Holliday wanted comments on the plans before giving the contractors the go ahead.

7.16 (DTI – Aerial Farm) Reply from Hector Montado, 02/10/06 and Gibraltar Land Reclamation Company Ltd explaining that the area in question was subject to risks associated with rock falls and that Shell company made strong representations to GoG on this issue as they suffered a number of rock falls and therefore recommended that this site should not be allocated given the risks but nevertheless, OEM may wish to have a risk assessment undertaken.

7.17 (Treasury – OEM Loan) Loan offer letter sent to OEM dated 20/02/07. GRP was willing to provide OEM with a short-term interest free loan of £1m to be repaid within 3 months of the date of this agreement. Default in payment would become

repayable in full and OEM would pay interest at 3% above the Bank of England Repo rate. Loan would be secured on assets of OEM.

7.18 (DTI – General Vol I) Notes on the property developments being undertaken by OEM dated 06/03/07. Darren McComb assessed position as follows: total number of units to be 408 expected to produce profits of £12.2m; GoG required OEM to reduce selling price by £3m, reducing profit to £9.2m; GoG compensated with reducing premium by £3m to £12m; GoG further required sales price to reduce by £3m, profits now £6.2m, compensating OEM with 5-year licence over a site in Williams Way on which a concrete plant would be built and operated (stone crushing business expected to make profits of £500,000 per annum). By September 2005 only £4.5m of premium paid, so the balance outstanding was £7.5m; GoG agreed for this balance to be settled by the construction and delivery of a Workers Hostel to be built at Devil's Tower Road. It further explained details of works to be undertaken in Buena Vista and how overall OEM would have a projected profit of £30.2m.

7.19 (DTI – Aerial Farm) Email from Tony Provasoli to Darren McComb/Ian Rosenblatt (both OEM Directors) on the 29/03/07 stating that the concrete plant should start in May and should continue for 5 years and give a return to OEM of approximately €750,000 a year and that this would increase once the Eastside Development commenced. Also, GoG would grant OEM 50% Development Aid, which meant a substantial tax benefit for OEM.

7.20 (DTI – General Vol I) Letter to Darren McComb and Robert Noonan from Haymills dated 27/04/07 regarding payments outstanding of £1.05m. They also believed that they had been under-certified a further £1.5m giving a total shortfall of £2.55m.

7.21 (DTI – General Vol I) Draft Seventh Supplemental facility letter dated May 2007 regarding Barclays increasing the overdraft facility of £5.25m to £13.35m, charging a one-off payment of £100,000.

7.22 (LPS – Buena Vista Vol III) GoG granted consent to OEM and its subsidiaries to grant El Rocio Trust a floating charge over the various Building Licences, 16/05/07.

7.23 (LPS – Cumberland Vol III) £7.5m worth of the consideration reflected the cost of construction of the Workers' Hostel for GoG, 05/06/07. Jason Cano (OEM) and Victor Reyes (GoG) had to agree the plans and specifications for the Hostel, 13/06/07.

7.24 (LPS – Cumberland Vol III) Letter from LPS to Tony Provasoli dated 14/06/07 explaining difference between what was expected by GoG and what the plans and specifications of the Workers' Hostel reflected.

7.25 (DTI – General Vol I) Letter from Ian Rosenblatt to Minister Holliday, 18/06/07, stating that it was essential that an independent audit of the affordable project should be carried out and be reported to GoG as he predicted severe losses and the £7.5m for the hostel would rise to £8.5m once all fees were taken into account. However, in a meeting, Ian Rosenblatt informed Minister Holliday that this memo was

not sent by him and was unaware of its contents and he assumed that Robert Noonan sent it in his name.

7.26 (DTI – Finance Vol I) Loan offer letters from GRP to OEM. First letter was for a loan of £3m to be repaid by 31/12/06 (drawdown July 2006) and the second loan of £1m was to be repaid by 20/05/07 (drawdown February 2007), both loans secured on assets of OEM.

7.27 (LPS – Cumberland Vol III) Barclays Bank wanted confirmation from GoG that loans made to OEM were not repayable until all developments had been completed, 27/06/07.

7.28 (Treasury – OEM Loan) Letter from PS (Projects) to the CM to Susie Gonzalez (Treasury) dated 29/03/07 stating that they were in discussion with OEM and suggested to make arrangements to extend the loan period by 6 months until the end of June 2007.

7.29 (DTI – Finance Vol I) Draft step-in rights agreement dated 04/07/07 – GoG agreed that failure to complete the Workers' Hostel would not entitle GoG to take up possession of the Development Areas and that GoG remedies lied in the non-distribution of profits resulting from the Buena Vista Development.

7.30 (LPS – Cumberland Vol IV) OEM outstanding matters written by Tony Provasoli, such as the bank (Barclays) requiring written confirmation that the loan made by GoG to OEM of £4m in total in respect of the affordable housing was to be repaid once the three developments were complete and details on unallocated units, 11/07/07.

7.31 (Treasury – OEM Loan) Letter to OEM dated 02/08/07 requesting outstanding loan amount of £4m to be repaid by 31/08/07.

7.32 (DTI – General Vol I) Email from Flavio Madeira (DTI) to Robert Noonan, 07/08/07, stating that the loan from BARCAP required a £5m cash deposit by the end of June 2007 and this had not been done. He informed Robert Noonan that if the loan facility should not be available due to non-compliance by OEM, GoG would not allow this matter to deteriorate further and would take whatever action it deemed necessary.

7.33 (DTI – General Vol I) Email from Flavio Madeira to Robert Noonan dated 07/08/07 stating that as construction of the hostel had not began and funds had not been made available, unless GoG had confirmation that funds totalling £7.5m had been deposited into a bank account in Gibraltar by 31/08/07 guaranteeing the construction of the hostel, GoG would take whatever action it deemed necessary. Mr Noonan was reminded that the £7.5m was part of the premium payable at the time the tender was awarded in 2005.

7.34 (DTI – General Vol I) Robert Noonan's reply dated 08/08/07, that negotiations to deposit £5m were currently in train and that he was under the impression that OEM was only obliged to build the hostel for £7.5m not provide a deposit of £7.5m for the same. Furthermore, OEM required a loan from BARCAP and BARCAP required

certain conditions to be met such as a £5m deposit to be put in place by June 2007, which as at 07/08/07 had not been done.

7.35 (DTI – Finance Vol I) In reply to Robert Noonan's reply, 08/08/07, Flavio Madeira informed him that should the loan facility by BARCAP not be available due to non-compliance by OEM, GoG would not allow this matter to deteriorate any further and would take any action it deemed necessary to rectify the situation.

7.36 (DTI – Aerial Farm) Approval of draft licence to use plot of land at Devil's Tower Road to temporarily install a concrete mixing plant by Minister for Trade, J Holliday 20/08/07.

7.37 (DTI – Finance Vol I) Letter dated 21/08/07 to Minister Holliday to provide him with an insight prior to the meeting regarding the financial problems experienced by OEM. El Rocio Trust had not provided funding and so payments to the contractor and professionals involved were overdue and now they had reached the bank's facility limit and were not in a position to keep the commitment of payments to Haymills or consultants.

7.38 (DTI – Finance Vol I) Letter by OEM to Minister Holliday dated 30/08/07 stating that on completion of Windmill Developments Limited property Ham Yard/Denam Street for £32m, subject to Barclays releasing their second charge, the sum of £5m would be deposited in El Rocio Trust account with Barclays. In addition, a £23m guarantee was available from HBOS that could only be used for funding property developments. Also, OEM were absolutely committed to complete the affordable housing scheme and Workers' Hostel for GoG within the revised time frames.

7.39 (DTI – Finance Vol I) Email from Andrew Farndale (Bank Leumi) to Alan Gravet (Primetrust), 06/09/07, explaining that out of the £32m payment due from London and Newcastle, £27m would be applied in the reduction of borrowings with Bank Leumi (Windmill, El Rocio Trust, overdrafts...), with the balance of £5m to go to Barclays. Following this, Darren McComb sent an email to Minister Holliday explaining that only £5m would be available at present and that was towards the amount outstanding in July 2007 and he did not know where £4m to repay the GoG loan, £7.5m for the Hostel and £8.3m for bank finance was going to come from.

7.40 (Treasury – OEM Loan) Vanessa Ramos confirmed on 11/09/07 that Minister Holliday was dealing directly with this matter and that repayment of the £4m loan was not envisaged before the end of March 2008.

7.41 (DTI – Finance Vol I) Email from Wilfred Perez (OEM International) to Ian Rosenblatt dated 04/10/07 stating that there were no further funds to continue running the day-to-day business of the company, this included employees remuneration. The bank's facility was days away and the only thing holding this back was GoG's guarantee, which had not yet been issued. Wilfred Perez had no idea what the delay in the issuing of the guarantee was.

7.42 (DTI – Finance Vol II) Internal memo dated 16/10/07 sent by Vanessa Ramos regarding OEM's loans from GoG. There was a situation where Robert Noonan was querying his purported signature on the £3m loan letter and the second loan letter only bore Darren McComb's signature. Notwithstanding the absence of Robert Noonan's signature, Treasury proceeded to advance the sum of £1m to OEM.

7.43 (DTI – Finance Vol I) Email from Tony Provasoli to Ian Rosenblatt, dated 24/10/07, giving details of all meetings held with GoG which began in January 2007 and GRP Letter of Undertaking was still pending signature. Ian Rosenblatt needed to pay £2m in 48 hours to Haymills and did not have the money as this document was still pending signature by GoG.

7.44 (DTI – Finance Vol II) Letter from Darren McComb to the Chief Minister, 25/10/07, explaining that Robert Noonan was claiming that his wife gets 100% ownership of the "Gibraltar Trust" (as stated in correspondence) and that the situation could go to Court. Darren McComb stated that all his time was dedicated trying to resolve the dispute with little headway and nobody was taking the day-to-day troubles in getting the affordable housing completed. He confirmed that if Robert Noonan decided to leave he had the ability to finance the whole project. His concern was that if he continued with the dispute, the affordable housing projects were at risk of not being completed and this was his priority. Darren McComb felt that if the Chief Minister were to intervene the dispute would be resolved.

7.45 (DTI – Finance Vol II) Email from Ian Rosenblatt to Minister Holliday dated 02/11/07 stating that the letter of undertaking which was promised the previous week had not materialised thereby causing him embarrassment with his professional team and Haymills. He wished to discuss with the Minister the issue that GoG would be unable to provide any assistance with regard to the infrastructure costs of the electricity, water and sewers to Cumberland, Nelson's and Bayview. Also, that the forecasted losses for this scheme were in excess of £7m.

7.46 (DTI – General Vol I) Letter from Haymills to Minister Holliday, dated 02/11/07, stating that they were now almost owed £1m and that there were 2 obstacles to this payment (1) disputes between Haymills and OEM and (2) GoG issuing the guarantee letter that had been in negotiation for over a year. Haymills also stated that the rumour "that Haymills were only interested in the Airport, not the housing" was not true because if Ferrovial Agroman won the airport project they would seek to use Haymills for Gibraltar logistics which would be valued at around £6m per annum which was tiny in comparison to their OEM activities and merely part of achieving their "sustainable business growth in Gibraltar's strategy.

7.47 (DTI – Finance Vol II) Email from John Licudi to Peter Canessa, dated 06/11/07, with outstanding payments attached. Attached were also draft letters for Peter Canessa's perusal regarding these debts and how Ian Rosenblatt and Darren McComb had both categorically stated that there was no finance and therefore no prospect of payment to consultants.

7.48 (DTI – Finance Vol II) Email to Chief Minister 12/11/07 from Robert Noonan confirming that he would personally make good any loss that GoG incurred in respect of the £4m loan facility.

7.49 (DTI – Finance Vol II) Internal memo dated 13/11/07 containing notes of meeting held regarding letter of guarantee. Main points - OEM agreed to issue a Board Resolution acknowledging their liability to GoG of £4m; if unsold units became an issue to Barclays, GRP committed to purchase these from OEM.

7.50 (DTI – Finance Vol II) 22/11/07, In order to progress with affordable housing projects, Steadfast Trustees (as trustees of El Rocio Trust) offered the sum of £16.75m to pay Haymills, design/project team, GRP Investments and £5m deposited with Barclays to comply with facility letter.

7.51 (LPS – Cumberland Vol IV) Letter from Tony Provasoli (on 26/11/07) to Barclays, LPS, John Licudi, Gilbert Licudi and others regarding issues raised in a meeting with OEM director Ian Rosenblatt and Charles Lavarello (TSN) for Steadfast Trustees Limited in their capacity as trustees of El Rocio Trust. These included issues regarding the building contract with Haymills and that GoG would not subordinate its loan of £4m in favour of Barclays. However, this last point did not appear to be an issue as the intention was that, upon the sale of Ham Yard, £16.75m be lent by trustees of the El Rocio Trust to OEM for the purpose of these developments and out of this £16.75m the debt owed to GoG was to be repaid.

7.52 (LPS – Cumberland Vol IV) Letter from LPS to OEM dated 04/12/07 stating that OEM did not have enough funding to complete the development projects and they had failed to comply with the provisions of clauses 1.3, 2.1, 2.2, 3 and 4, thus all captioned sites had been repossessed, licences revoked and lease forfeited with effect from 04/12/07.

7.53 (LPS – Buena Vista Vol III) Letter dated 04/12/07 to OEM Directors from LPS notifying them that all captioned sites had been repossessed, licences revoked and lease forfeited with effect from that day.

7.54 (LPS – Cumberland Vol IV) Ex-OEM sites – licence re-issued to GRP Investments Company Limited, date of access 05/12/07, date following repossession.

7.55 (LPS – Cumberland Vol IV) "There is no loss to GoG in its taking over the £37m affordable housing from OEM" Peter Caruana declared in Parliament – article in the Gibraltar Chronicle, 06/12/07.

7.56 (LPS – Cumberland Vol IV) Hassans would prepare Trust Deeds, however, £41,125 was due from OEM. GRP would settle this, and then settle this directly with OEM. However, it appears that this amount was never paid by OEM.

7.57 (DTI – Aerial Farm) Reply to OEM, 26/02/08, regarding request to grant Handicol authority to use the Ex-Aerial Farm Site and therefore enable the Traffic Commission to grant Handicol Ltd the operating licence it needed to start trading locally. Minister Holliday said that Handicol would now be applying to operate from

a site other than the Aerial Farm and it therefore follows that Handicol should have sought and obtained permission to establish and operate the concrete plant at this alternative site and subsequently, once such permission was obtained, should have requested the corresponding operating licence from the Transport Commission.

7.58 (DTI – General Vol I) Minutes of meeting between Chief Minister, Darren McComb and Solomon Massias 19/3/08.

7.59 (DTI – General Vol I) Letter from Vanessa Ramos-Israel dated 09/04/08 to Darren McComb regarding the ex-OEM projects with a summary of the points clearly made to him by the Chief Minister at the meeting on 19/03/08, which included that licences had been revoked as OEM's letter dated 04/04/08 appears to ignore this. As a result of the meeting GoG may have been willing to repay OEM the following sums:

Paid by OEM to Haymills	£7,566,598
Paid by OEM to design team	£1,621,140
Paid by OEM to Steelmac	£250,000
	£9,437,738
Less paid from GoG monies	£4,000,000
Repayable	£5,437,738

Plus all or some proportion of the £4.5m premium paid.

7.60 (DTI – General Vol I) 18/04/08 new agreement, proposed to OEM resulting in an amount payable to OEM of £6,977,738.

7.61 (DTI – General Vol II) On 06/08/09 GRP terminated the 3 contracts with Haymills as an act of insolvency entitled GRP to terminate the contracts at any time by giving notice to them.

7.62 (DTI – BV & NG Vol III) Minutes of a meeting held on 20/08/09 regarding Buena Vista. Chief Minister informed in July 2009 that the commitment with OEM was now released.

7.63 (DTI – General Vol II) Confidential memo sent to Ministry for Enterprise, Development, Technology and Transport (MEDTT) by PS (Projects) to the CM regarding ex-Haymills employees. GoG was in the process of employing Haymills' workforce – offer issued to all staff except the Director, Tony Harris. However, there was concern by the actions taken of 3 other members of staff, in particular Mary Diana Etherington. She had been the signatory of all employment forms including a number of unusual variations of terms of engagements. She was also responsible for the Haymills payroll which contained all manner of errors, which was something that had been done as a matter of routine every week, giving rise to the suspicion of fraud. Other issues were: the leak of information to employees, which was only known to her; Andy Coumbes actively discouraging office staff from taking on the 8-week offer and; Roby Eames' (Commercial Manager for Labour hire) laptop stolen when he was asked for more information. Staff assessment was carried out and had been positive. The administration staff needed further assessment.

7.64 (DTI – General Vol II) Email from Tony Harris to John Licudi dated 26/08/09 stating that he was seriously concerned about his current situation as he was advised that he would be employed by GoG but had not received any correspondence. He believed that he had been in employment with GGCC since early August and therefore due to receive a salary for that period and was hopeful that he would be considered for any long term opportunities so he could support his family. The email was forwarded to MEDTT on 01/09/09.

Section 8

Work Timeline

8.1 The following are meetings, queries, etc. carried out by the Audit Manager and Assistant Auditor assigned to the OEM/Haymills review. Some dates are an approximation.

Gibraltar Audit Office – 13/02/12 initial meeting between Vanessa Ramos-Israel (SEO) and the Principal Auditor, Assistant Principal Auditor and Audit Manager assigned to the special exercise.

LPS – 13/02/12 meeting with Aurelio Falero (former Managing Director of LPS) and Paul Grech (LPS) in relation to documentation and dealings with GoG and OEM.

The Assistant Auditor spent around a month and a half (the Audit Manager was also involved ad hoc) – reviewing and photocopying 13 LPS files (composed of Cumberland, Buena Vista, Bayview, Nelson's View and Aerial Farm files) and analysing records obtained. Several meetings were held with John Collado, Aurelio Falero and Kevin De Los Santos (LPS Directors).

Companies House – Starting on 29/03/12 numerous emails were sent to Companies House to obtain company profiles (especially names of directors/shareholders of companies).

LPS – On 02/04/12 a meeting was held with Charles Pons (Director of LPS) in respect of property purchase by subsidiary of OEM.

Treasury – 02/04/12 contacted Christine Victory (Accountant General) who passed the review team to Lizanne Dalli (SEO) and Grissel Lima (SEO). Kira Gonzalez (EO) provided the review team with the loan offer letter, etc.

MEDTT – 11/04/12 meeting with Julian Baldachino (Principal Secretary) in relation to GoG involvement especially dealings by Ex-Minister J Holliday.

The Assistant Auditor spent about a month and a half (the Audit Manager was also involved ad hoc) – reviewing and photocopying 14 files and analysing records obtained. Several meetings were held with Julian Baldachino.

No.6 Convent Place – 26/04/12 meeting held with Ernest Francis (EO), representative of the Land Management Committee, who provided the team with a few minor records.

MoF – 27/04/12 contacted Susie Gonzalez (SEO) to seek information who in turn passed the team to Vanessa Ramos-Israel (SEO).

No.6 Convent Place – 27/04/12 Vanessa Ramos-Israel (SEO) provided an extensive report on the OEM/Haymills dealings with GoG. Liaised with her via emails and phone calls.

On 11/05/12 contacted LPS, Income Tax Office (ITO), Financial Services, Customs and Gibraltar Electricity Authority to enquire whether Haymills and OEM owed any outstanding fees to GoG.

GRP – 06/06/12 contacted Jackie Azzopardi to seek information in respect of sale of affordable houses (especially GoG share), etc.

Treasury – 25/06/12 Kira Gonzalez (EO) provided the team with several files (including spreadsheet worksheets) for review. Interviewed staff involved and obtained photocopies and copies of computerised records.

Canillas (Auditors) – 10/07/12 contacted Mr Canilla, auditor of OEM, and requested information about OEM. Mr Canilla mentioned that all documentation/working papers were held by Freddie White, (Grant Thornton), the liquidator of OEM.

ITO – 11/07/12 contacted the ITO for clarification of several points in respect of outstanding tax of several companies of the OEM group of companies and Haymills.

GRP – 12/07/12 received updated information from Jackie Azzopardi in respect of sales proceeds split by purchaser's share and GoG's share.

Treasury – 13/07/12 received GRP cashbook to check payments received.

Liquidator – 23/07/12 meeting with Freddie White.

Audit Manager and Audit Assistant spent around 4 weeks reviewing and photocopying 10 files in relation to OEM and Haymills held by the liquidator. Obtained Haymills work certificates from Grant Thornton to verify whether payments from OEM to Haymills as per Treasury records were correct.

Treasury – 20/08/12 queried several of the spreadsheet figures. Liaised with Treasury for around 3 weeks.

BDO Limited – 31/08/12 contacted Desiree McHard (Director), BDO Limited Haymills' auditor, who informed the team that she had in her possession several files in relation to Haymills but she would not release until authorised by the liquidator.

Liquidator – 03/09/12 started sending emails and phone calls to Freddie White, and an official letter requesting information from BDO Limited on 07/09/12.

Preparation of draft report excluding two important matters pertaining to Haymills that at the time needed to be addressed: 1. Try to verify the payments recorded by OEM as paid to Haymills and then try to establish whether these monies were used for the construction of the South District developments; and 2. Find five payments of £50,000 paid by GoG to Haymills pertaining to release of retention and again find out the use of these monies.

BDO Limited – 04/10/12 contacted Desiree Mchard to ask whether the liquidator had requested the information. She stated that they had not.

Liquidator – After numerous chase-up calls and emails, following from conversation with Desiree Mchard, James Oton (Grant Thornton employee) confirmed on 17/10/12 that Freddie White had contacted BDO Limited to authorise release of information and files.

BDO Limited – 17/10/12 met with Chris Celecia, Accountant of BDO Limited, who informed the team that he was not comfortable providing the files and if the review team wished could email him the specific queries which he would try to answer.

BDO Limited – 17/10/12 sent minor queries via email, no reply received.

Companies House – 17/10/12 requested last company search (Vanbren Properties Ltd).

Treasury – 19/10/12 Kira Gonzalez (EO) answered queries raised in early September.

BDO Limited – 14/11/12 allowed to inspect BDO Limited records, visited BDO premises for three days. Went over Haymills audit files (5 files).

Liquidator – 23/11/12 proceeded to arrange with Grant Thornton to peruse all their files on Haymills. Arranged with James Oton to visit the large store situated at 9/11 West Place of Arm's, Coral Road (ex-Peralta supermarket). Vast amount of boxes held were unidentified. Opened a significant number of boxes, which were not of any use, as files contained old records except for a bank account statement file, which was taken to the Gibraltar Audit Office for further review.

Liquidator – 23/11/12 obtained copies of all computerised records and reviewed them up to 10/12/12. Haymills' cashbook was not available and hence payees could not be traced as the transaction description from the bank statements were too vague, since most of them were cheques and bank transfers.

Natwest – 11/12/12 requested whether Principal Auditor could seek further information of payments made by Haymills directly from the bank. Natwest Bank requested Liquidator's signed instructions.

ITO – 11/12/12 requested P8s to establish Haymills' employee payments. Obtained forms plus analysed information contained in the ITO database.

Liquidator – 13/12/12 emailed Freddie White to allow the Principal Auditor to obtain information from Natwest.

Natwest – 14/12/12 contacted Alison Knight (Natwest employee) and asked whether she had received the instructions from the liquidators and was informed that she had not.

Liquidator – 15/12/12 called Freddie White who in turn informed that James Oton was the assigned liaising officer. Informed that due to work commitments there would be a delay, but would be done shortly.

Circularisation of OEM payments – 20/12/12 sent letters to 6 companies (John Licudi Consulting Ltd, Golder Associates (UK) Ltd, GC Architects Ltd, Belilos Ltd, E&M

consulting Engineers Ltd and Pascoe Holdings Ltd) to confirm payments made by OEM to them.

Natwest – 09/01/13 asked John Treacy/Alison Knight whether they had received instructions from Freddie White to which they replied they had not.

Liquidator – 09/01/13 emailed and called James Oton to query whether they had sent the instructions to Natwest. He stated that he was in the process of drafting 2 letters, one for Natwest with the consenting instruction and another to the Gibraltar Audit Office to request if there was any relevant information which transpired from the investigation to inform the liquidator. He promised that by the end of the following week the letters would be sent.

Liquidator – 17/01/13 after several phone calls managed to speak to James Oton who said that the letters were still in draft form pending review by Mr White. When once again he was explained the urgency of the matter he again apologised and stated that due to other work commitments Mr White would not be able to review the draft letters until the 24/01/13.

Natwest - 06/02/13 received confirmation from Alison Knight stating that she has received the letter of authority from Grant Thornton.

Natwest - 11/02/13 met with Alison Knight and discussed issues as to what information was needed and asked for missing bank account statements.

Natwest - 18/02/13 obtained bank statements from Alison Knight. However, it was not of much use as description given on bank statements was very vague and payments received from OEM were not identified.

Natwest - 19/02/13 asked Alison Knight if she could search for any other Natwest Bank accounts under Haymills' name to see if payments received from OEM could be traced. She replied that the system did not have the capability of a name search for accounts closed more than 12 months.

Natwest - 20/02/13 Alison Knight provided the review team with further requested bank statements, however it did not prove fruitful as payments from OEM did not appear in these bank statements. Natwest advised to contact Barclays and ask if they could provide specific details as to the beneficiary as shown in OEM's accounts (OEM made the payments to Haymills from a Barclays account).

Liquidator - 20/02/13 emailed and called James Oton from Grant Thornton requesting details about Haymills' bank accounts. He stated they did not have further details. Freddie White (as liquidator) was subsequently asked to write to Barclays in order to obtain authorisation to view detailed information of Haymills bank accounts.

Liquidator - 26/02/13 Sebastian Pons of Grant Thornton informed that the draft letter to Barclays was produced. A few changes were proposed.

Liquidator - 06/03/13 sent an email to Sebastian Pons requesting update on authorisation letter. He stated that the letter was handed to Freddie White for his consideration.

Anthony Harris - 07/03/13 sent email to Tony Harris (Project Manager, Haymills) with a few queries. He was asked whether he knew details on Haymills' bank accounts and he replied that to the best of his knowledge only bank accounts at Natwest existed and that all accounting was controlled by the group Financial Director Mr Steve Farrant.

Liquidator - 15/03/13 further chasing on the authorisation letter.

Liquidator - 18/03/13 Sebastian Pons informed that authorisation letter had been sent to Barclays Bank.

Liquidator - 22/03/13 enquired if Barclays had replied to the authorisation letter to provide information on Haymills/OEM bank accounts. No reply from Barclays.

Barclays - 26/03/13 telephoned the Corporate Section of Barclays (was transferred to Isle of Man) and asked whether they had received the authorisation letter. Barclays stated that they could not divulge that information to the audit examiners and that the liquidator would have to call.

Barclays - 08/04/13 emailed Barclays (general email address found in the directory) asking whether they had received the liquidator's letter and to reply soon, as it was a matter of urgency.

Liquidator - 09/04/13 emailed Sebastian Pons asking them to get in contact with Barclays regarding authorisation to view Haymills/OEM accounts. Also asked if they knew the contact details of the Haymills' Group Financial Director Mr Steve Farrant.

Liquidator - 09/04/13 Sebastian Pons replied stating that Freddie White would contact Barclays and provide the review team with Mr Farrant's contact details.

Haymills' Financial Director Steve Farrant - 09/04/13 sent email asking for details on Haymills' bank accounts.

Liquidator - 10/04/13 Sebastian Pons called and stated that Barclays, either did not seem to have the information required readily available or did not want to co-operate.

Haymills' Financial Director Steve Farrant - 10/04/13 replied stating that it had been a long time since he was involved with Haymills and that all the affairs of Haymills were taken over by Vinci Construction UK Ltd, based in Watford.

Vinci Construction UK Ltd – called on 17/05/13 and then on 20/05/13. Sent email to Mr M Osman who replied to my queries stating that he could not answer them as Vinci Construction had mainly taken over other operations of Haymills group (East Anglia projects) and he did not have the information available.

Tony Harris – sent email on 06/06/13 to Mr Harris requesting contact details for Mary Diana Etherington (Bookkeeper and Mr Harris' sister-in-law). The email address does no longer exist as it appears that Mr Harris has recently changed jobs. The review team

unsuccessfully contacted the Employment Service, Income Tax Office, Ministry for Housing and GRP to determine Mr Harris' new contact email address.