



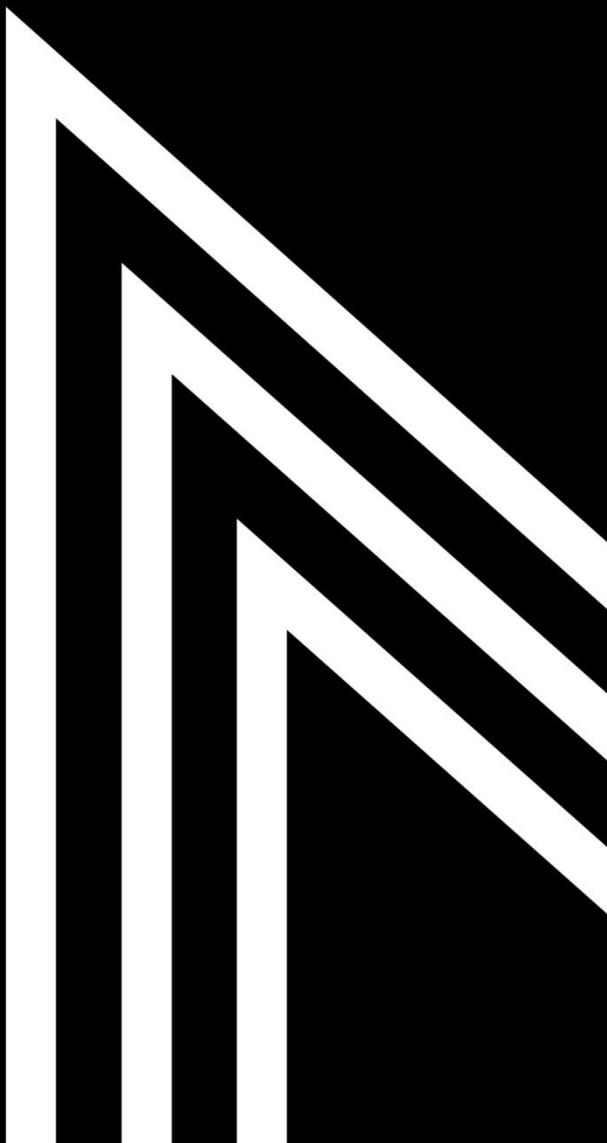
MGW Engineering Pty Ltd (Administrators Appointed)
ACN 104 180 734
(Forefront Services)

Administrators' Supplementary Report to creditors pursuant to section 75-225 of the Insolvency Practice Rules (Corporations) 2016

22 July 2021



McGrathNicol



Contents

Listing of tables	2
1 Introduction	4
1.1 Appointment.....	4
1.2 Purpose of this Report	4
1.3 Context of this Report	4
2 DOCA proposal	4
2.1 Amendment to unsecured creditors.....	4
3 Anticipated return to creditors.....	5
3.1 Updated DOCA scenario	5
3.2 Scenarios and outcomes	6
3.3 Summary.....	7
3.4 Advantages of the Updated DOCA.....	7
3.5 Disadvantages of the Updated DOCA.....	8
4 Request for adjournment of Second Creditors Meeting	8
5 Contact.....	8
APPENDIX A Updated DOCA Proposal.....	9

Listing of tables

<i>Table 1: Estimated return to creditors</i>	5
<i>Table 2: Anticipated return to creditors under the proposed DOCA.....</i>	7
<i>Table 3: Updated estimated outcome DOCA vs liquidation.....</i>	7

Report Glossary	
\$	Australian dollars
ACN	Australian Company Number
Act	Corporations Act 2001 (Cth)
Appointment Date	Monday, 21 June 2021
c.	Circa
Continuing Employees	Employees whose employment continues with the Company if it is placed into DOCA
Deed Administrators	Barry Kogan and Jonathan Henry of McGrathNicol as joint and several Deed Administrators of MGW Engineering Pty Ltd
Deed Fund	The funds available to creditors in a DOCA
Deed Proponent	Anthony Redfern, the Director of the Company
Director	Anthony Redfern
DOCA	Deed of Company Arrangement
EOS	Estimated Outcome Statement
Essential Creditors	Those creditors the Director considers essential for the continuance of the Company
Forefront Services or the Company	MGW Engineering Pty Ltd (ACN 104 180 734)
Liquidators	Barry Kogan and Jonathan Henry (if creditors resolve to wind up Forefront Services at the Second Meeting of Creditors and appoint Liquidators)
m	million
Non-continuing Employees	Those employees of the Company who were made redundant as part of the administration process
Ordinary Unsecured Creditors	Ordinary unsecured creditors not captured by the Essential Creditors definition
Proposed DOCA	DOCA proposed by Anthony Redfern
Second Meeting of Creditors	The second meeting of creditors to be held on Monday 26 July 2021
the Administrators	Barry Kogan and Jonathan Henry of McGrathNicol as joint and several Voluntary Administrators of MGW Engineering Pty Ltd
the Report	Report to creditors prepared by the Administrators, pursuant to section 75-225 of Insolvency Practice Rules (Corporations) 2016, dated 19 July 2021
the Supplementary Report	This Supplementary Report to creditors prepared by the Administrators, pursuant to section 75-225 of Insolvency Practice Rules (Corporations) 2016, dated 22 July 2021
Updated DOCA	Updated DOCA proposal by the DOCA Proponent, received by the Administrators by the on 22 July 2021

1 Introduction

1.1 Appointment

The Administrators were appointed Joint and Several Voluntary Administrators of Forefront Services by a resolution of the Director on 21 June 2021 (**Appointment Date**), pursuant to section 436A of the Corporations Act (Cth) (**Act**).

1.2 Purpose of this Report

The purpose of this Supplementary Report to creditors is to provide an update prior to the upcoming second meeting of creditors (**Second Meeting of Creditors**) on 26 July 2021 on the:

- Updated Proposed DOCA received by the Administrators on 22 July 2021 (**Updated DOCA**);
- Estimated Outcome Statement (**EOS**);
- Administrators' recommendation to creditors to resolve that a Deed of Company Arrangement (**DOCA**) is entered into; and
- Information regarding a request to adjourn the Second Meeting of Creditors to allow a different party time to propose a possible alternative DOCA proposal.

Please note that other than the above, there are no other changes to the Administrators Report to Creditors (**Report**) dated 19 July 2021.

1.3 Context of this Report

In reading the Supplementary Report, creditors should note the following:

- The statements and opinions in the Supplementary Report are given in good faith and, whilst the Administrators have no reason to doubt any information contained in the Supplementary Report, the Administrators reserve the right to alter their conclusions if the underlying information proves to be inaccurate or materially changes after the date of the Supplementary Report.
- If, after issuing the Supplementary Report, the Administrators become aware of any additional information which may assist creditors in determining how to vote at the Second Meeting of Creditors, the Administrators may make the additional information the subject of a further written report and/or table the information at the Second Meeting of Creditors.
- In considering the options available to creditors and formulating their recommendation to creditors, the Administrators have necessarily made forecasts of asset realisations and the total value of creditors. These forecasts and estimates may change as asset realisations progress and claims are received from creditors and are adjudicated upon. Whilst the forecasts and estimates are the result of the Administrators' best assessment in the circumstances, creditors should note that the ultimate outcome for creditors may differ from the information provided in the Supplementary Report.
- The assessment of potential claims in the Supplementary Report has been performed on a preliminary basis, based on information available to the Administrators at the time of completion of the Supplementary Report. As a consequence, the Administrators reserve their rights to alter their assessment, if further relevant information is provided after the date of the Supplementary Report or as a consequence of further investigations.

2 DOCA proposal

2.1 Amendment to unsecured creditors

In section 11.2 of the Report, the Deed Proponent's key terms of the Proposed DOCA were outlined.

One of the key terms, set out two categories of unsecured creditors: Essential Creditors and Ordinary Unsecured Creditors totalling \$0.7m and \$15.8m respectively. By way of reminder, these categories were defined as:

- **Essential Creditors**, which are those creditors deemed to be essential for the ongoing trade of the business; and
- **Ordinary Unsecured Creditors** who are the remainder of the unsecured creditors of the Company.

Following careful consideration of feedback from a number of creditors, the Deed Proponent has provided the Administrators an Updated DOCA with a revised list of unsecured creditors which reduces Essential Creditors to \$0.4m

(from \$0.7m) and increases Ordinary Unsecured Creditors to \$16.1m (from \$15.8m). The Updated DOCA which is otherwise identical to the initial DOCA Proposal is attached at Annexure A.

The amendments result in an increased estimated return to Ordinary Unsecured Creditors ranging from 0.26c/\$ in a low DOCA scenario to 1.46c/\$ in a high DOCA scenario, details of which are set out below in section 3 of this Supplementary Report.

There have been no other changes to the Proposed DOCA.

3 Anticipated return to creditors

3.1 Updated DOCA scenario

Based on the Updated DOCA, outlined in the table below is the estimated outcome to creditors under the Updated DOCA versus a liquidation.

The figures shown reflect the estimated quantum of former employee and unsecured external creditor claims that are known as at the date of this report.

We note that only unsecured creditors have been impacted by the Updated DOCA and there is no change to anticipated returns to employees or secured creditors.

Table 1: Estimated return to creditors

Estimated outcome statement - DOCA vs Liquidation						
\$'000	Notes	Low	DOCA Med	High	Liquidation	
					Low	High
Company recoveries						
Surplus administration funds	1	2,335	2,335	2,335	2,335	2,335
Asset realisations	2	281	281	601	862	1,182
DOCA contribution	3	1,484	2,404	3,204	-	-
Liquidator recoveries						
Preference payments	4	-	-	-	341	682
Insolvent trading	5	-	-	-	500	1,000
Uncommercial transactions		-	-	-	-	-
Total estimated asset recoveries		4,101	5,021	6,141	4,038	5,199
Administration liabilities						
Trading liabilities	6	(665)	(665)	(665)	(790)	(790)
GST refund/(payment)		(26)	(26)	(67)	(82)	(82)
Administrator remuneration	7	(661)	(661)	(469)	(469)	(469)
Deed Administrator remuneration	8	(330)	(330)	(165)	-	-
Liquidator remuneration	9	-	-	-	(550)	(440)
Petitioning creditor costs	10	(32)	(32)	(32)	(32)	(32)
Administrators' legal fees	11	(248)	(248)	(161)	(161)	(161)
Liquidators' legal fees		-	-	-	(495)	(385)
Restructuring costs (insurance, asset realisation costs etc)	12	(169)	(169)	(169)	(233)	(233)
Total estimated liabilities		(2,131)	(2,131)	(1,728)	(2,811)	(2,591)
Surplus/(shortfall) available distribution to creditors		1,969	2,889	4,413	1,226	2,607
Secured creditor						
Prospa	13	(123)	(123)	(123)	(123)	(123)
Surplus/(shortfall) for unsecured creditor (inc preferential)		1,846	2,766	4,290	1,103	2,484
Return to secured creditors (cents/\$)		100.00	100.00	100.00	100.00	100.00
Employees						
Continuing employees	14	-	-	-	(1,185)	(1,185)
Non-continuing employees (includes continuing employees' super)		(842)	(842)	(842)	(842)	(842)
Total employee entitlements		(842)	(842)	(842)	(2,028)	(2,028)
Surplus/(shortfall) for unsecured creditors		1,004	1,924	3,448	(924)	457
Return to employees (cents/\$)		100.00	100.00	100.00	54.42	100.00
Essential Creditors						
Ordinary Unsecured Creditors	15	(426)	(426)	(426)		
Total unsecured creditors		(16,555)	(16,555)	(16,555)	(18,210)	(18,210)
Return to Essential Creditors (cents/\$)		20.00	45.00	100.00	-	2.51
Return to Ordinary Unsecured Creditors (cents/\$)		5.70	10.74	18.74	-	2.51

Source: DOCA Proposal and Company records

Key notes:

- The above estimated outcome statement is preliminary only and includes some estimates of costs for which actuals are not yet known, and claims which have not yet been adjudicated upon by the Administrators alongside values for recoveries which are uncertain.

3.2 Scenarios and outcomes

By way of reminder, the scenarios are as follows:

3.2.1 Liquidation scenario

Both high and low scenarios contemplate circumstances whereby:

- Amounts are received from the Administrators in regards to trading surplus;
- Due to the Company ceasing to trade, there is a sale of all unencumbered fixed assets (noting most of the Company's assets are leased);
- All employees would be made redundant and would have claims against the Company;
- There is no differentiation between unsecured creditors, i.e. they all rank pari-passu; and
- There are modest realisations from insolvent trading and preference claims, however these are indicative figures only due to the highly uncertain nature of these realisations.

3.2.2 DOCA scenario

These scenarios contemplate circumstances whereby:

- **Low scenario:**
 - Amounts are received from the Administrators in regards to the trading surplus;
 - Anthony Redfern repays his loan and the initial payment of \$1.235m is received, however none of the deferred payments are made.
- **Medium scenario:**
 - Amounts are received from the Administrators in regards to the trading surplus;
 - Anthony Redfern repays his loan and the initial payment of \$1.235m is received;
 - 6 months of the monthly \$120,000 sum is received, rather than the contemplated 11 months; and
 - 50% of the required contribution of trading profits are received.
- **High scenario:**
 - The DOCA is entered into as contemplated, and all payments are received; and
 - Certain other assets are recovered.

3.2.3 Key assumptions

We note that the key assumptions in the Report remain the same except Note 15 which is updated below.

Updated Note 15: Unsecured creditors

- Under the Proposed DOCA, the Deed Proponent intends to separate unsecured creditors into two categories.
- Essential Creditors are estimated to receive between 20 cents/\$ and 100 cents/\$ based on recoveries under the Proposed DOCA. This has not changed from the previous estimates provided in our Report.
- Ordinary Unsecured Creditors are expected to receive between 5.70 cents/\$ and 18.74 cents/\$ based on recoveries under the Proposed DOCA. This has increased from the previous estimates in our Report.
- The distributions under the Updated DOCA can be summarised as:

Table 2: Anticipated return to creditors under the proposed DOCA

Proposed dividends to unsecured creditors					
\$'000	DOCA			Liquidation	
	Low	Med	High	Low	High
Total unsecured creditors					2.51
Essential Creditors - unsecured creditors - distribution 1 (20 cents)	(85)	(85)	(85)	-	-
Surplus/(shortfall) for unsecured creditor	919	1,839	3,363	-	-
Return to Essential Creditors (cents/\$)	20.00	20.00	20.00	-	-
Ordinary Unsecured Creditors - unsecured creditors - distribution 1	(919)	(1,210)	(1,210)	-	-
Surplus/(shortfall) for unsecured creditor	-	629	2,153	-	-
Return to Ordinary Unsecured Creditors (cents/\$)	5.70	7.50	7.50	-	-
Essential Creditors - unsecured creditors - distribution 2 (25 cents)	-	(106)	(106)	-	-
Surplus/(shortfall) for unsecured creditor	-	523	2,046	-	-
Return to Essential Creditors (cents/\$)	-	25.00	25.00	-	-
Ordinary Unsecured Creditors - unsecured creditors - distribution 2	-	(523)	(806)	-	-
Surplus/(shortfall) for unsecured creditor	-	-	1,240	-	-
Return to Ordinary Unsecured Creditors (cents/\$)	-	3.24	5.00	-	-
Essential Creditors - unsecured creditors- distribution 3 (55 cents)	-	-	(234)	-	-
Surplus/(shortfall) for unsecured creditor	-	-	1,006	-	-
Return to Essential Creditors (cents/\$)	-	-	55.00	-	-
Ordinary Unsecured Creditors - unsecured creditors - distribution 4	-	-	(356)	-	-
Surplus/(shortfall) for unsecured creditor	-	-	649	-	-
Return to Ordinary Unsecured Creditors (cents/\$)	-	-	2.21	-	-
Ordinary Unsecured Creditors - unsecured creditors - distribution 5	-	-	(649)	-	-
Surplus/(shortfall) for unsecured creditor	-	-	-	-	-
Return to Ordinary Unsecured Creditors (cents/\$)	-	-	4.03	-	-
Total Return to Essential Creditors (cents/\$)	20.00	45.00	100.00	-	2.51
Total Return to Ordinary Unsecured Creditors (cents/\$)	5.70	10.74	18.74	-	2.51

3.3 Summary

The below table summarises the updated estimated outcomes as contemplated above. On the assumptions set out above and information presently available to the Administrators, the Updated DOCA is expected to provide a superior return to both employees and unsecured creditors than a liquidation.

Table 3: Updated estimated outcome DOCA vs liquidation

Previous summary estimated outcome statement					
Class of creditors	DOCA Return			Liquidation Return	
	Low	Med	High	Low	High
Secured creditor (cents/\$)	100.00	100.00	100.00	100.00	100.00
Continuing employees (cents/\$)	100.00	100.00	100.00	54.42	100.00
Non-continuing Employees (includes continuing employees super) (cents/\$)	100.00	100.00	100.00	54.42	100.00
Essential Creditors - unsecured creditors (cents/\$)	20.00	45.00	100.00	0.00	2.51
Ordinary Unsecured Creditors - unsecured creditors (cents/\$)	5.70	10.74	18.74	0.00	2.51

3.4 Advantages of the Updated DOCA

- Allows for the ongoing trade of the business, including the employment of 71 staff.

- Avoids the time and cost of Liquidator investigations which may not ultimately yield recoveries in excess of the Deed Fund.
- Provides for a higher estimated dividend to all classes of creditors than in liquidation.

3.5 Disadvantages of the Updated DOCA

- Voidable transactions and insolvent trading claims which may be available to a liquidator cannot be pursued under the DOCA.
- The distributions to creditors are limited to the Deed Fund whereas in a liquidation, recoveries for creditors depend on the outcomes of successful litigation (which are theoretically unlimited), although presently uncertain and require funding. We consider that any such recoveries in a liquidation are subject to significant uncertainty.
- A significant proportion of the Deed Fund is subject to a deferred payment arrangement. However, even in circumstances where none of the deferred payments are received (i.e. the "low" scenario), we expect that the DOCA generates a superior return than a liquidation.

Having regard to the relative advantages and disadvantages of the DOCA, the Administrators consider that the DOCA provides a more certain and superior return to creditors than a liquidation.

Therefore, in the Administrators' opinion, it is in the best interests of creditors of Forefront Services to vote to enter into a DOCA.

4 Request for adjournment of Second Creditors Meeting

We note that on 22 July 2021, a creditor of the Company contacted the Administrators asking for an adjournment of the Second Meeting of Creditors, to allow that party time to formulate an alternative DOCA proposal.

The consequences of an adjournment would mean that the Administrators would remain in office longer than originally envisioned, and the business would remain under their control. This would add additional trading costs and expenses, that had not been budgeted for in the above forecast and therefore may adversely affect the surplus administration funds being available to the Deed Fund.

In order to counter this, we have written to the party requesting that they underwrite the Administrators' trading costs and professional costs, so that creditors would not be disadvantaged by any delay caused by an adjournment.

At the time of writing this Supplementary Report, the Administrators have not received an indication of what the alternative DOCA proposal will contain, and therefore at this stage, do not recommend that the meeting is adjourned.

Should a commitment be made by the party prior to the Second Meeting of Creditors, we will advise creditors of same either prior to, or at the Second Meeting of Creditors and reserve our rights to amend our opinion at that time.

5 Contact

Please refer to the McGrathNicol website at <https://www.mcgrathnicol.com/creditors/mgw-engineering-pty-ltd/> for further information regarding this engagement. Creditors may contact the Administrators' team by email (Forefront-General@mcgrathnicol.com) if they have any queries.

Dated 22 July 2021



Barry Kogan
Joint and Several Administrator

APPENDIX A Updated DOCA Proposal



Amended Proposal for deed of company arrangement
MGW Engineering Pty Ltd (Administrators Appointed)
ACN 104 180 734

22 July 2021

1 Definitions

In this proposal unless the context otherwise requires words have the meanings attributed to them in the body of the deed and in Schedule 1.

2 Administrators

- 2.1 Barry Frederic Kogan and Jonathan Philip Henry of McGrathNicol, Level 12, 20 Martin Place, Sydney in the State of New South Wales (**Administrators**) will be the administrators of the Deed of Company Arrangement.
- 2.2 The Administrators will be entitled to remuneration for themselves, their partners and staff and any contractors or agents calculated in accordance with rates of charge issued from time to time by them, with the amount of remuneration to be fixed by creditors or otherwise in accordance with the *Corporations Act*.
- 2.3 The Administrators will not be personally liable for debts or obligations incurred pursuant to the Deed of Company Arrangement or for loss or damage caused by the Administrators except in the case of wilful default or fraud.
- 2.4 The Administrators are entitled to be indemnified and will hold a lien out of the Deed Fund, for:
- (a) their remuneration, Costs and expenses for acting as voluntary administrators and administrators of the Deed of Company Arrangement;
 - (b) all liabilities (if any) incurred by the Administrators in the course of the administration of the Company or the Deed of Company Arrangement;
 - (c) any claims in relation to compliance with workplace health and safety requirements;
 - (d) all actions, suits, proceedings, accounts, claims and demands arising out of the administration of the Company or Deed of Company Arrangement which may be commenced, incurred by or made on the Administrators by any person, and against all costs, charges and expenses incurred by the Administrators in respect thereof,
 - (e) any amount for which the Administrators are entitled to exercise a lien at law or in equity on the property of the company,
- except in the case of wilful default or fraud.
- 2.5 The powers conferred on the Administrators may be exercised by them jointly and by each of them severally.

3 Purpose

The purposes of the Deed of Company Arrangement are to:

- (a) maximise the chances of the Company remaining in existence;
- (b) continue the employment of approximately 71 employees; and
- (c) result in a better return to creditors of the Company than would result from a winding up of the Company.

4 Nature and duration of moratorium

- 4.1 All Creditors of the Company will be bound by the Deed of Company Arrangement.
- 4.2 No claims may be made against the Company during the period of the Deed of Company Arrangement.
- 4.3 The rights of secured creditors under section 444D(2) of the *Corporations Act* and of owners or lessors of property under section 444D(3) of the *Corporations Act* will not be affected by the Deed of Company Arrangement.
- 4.4 The rights of THN Capital will not be affected by the Deed of Company Arrangement.
- 4.5 Upon all distributions from the Deed Fund being paid in full in accordance with paragraph 12.1 below those distributions will be in full settlement of all claims of Creditors other than THN Capital, Continuing Employees and Ongoing Asset Finance Creditors.

5 Release of the Company

All Creditor claims of Creditors, except those of THN Capital and the Excluded Creditors will be extinguished upon the date of DOCA Effectuation.

6 Deed of Company Arrangement

- 6.1 The Deed of Company Arrangement will take effect on being executed by the Company and the Administrators in accordance with the *Corporations Act*.
- 6.2 If the Company fails to execute a Deed of Company Arrangement to the satisfaction of the Administrators in the time prescribed by the *Corporations Act* then the Company is to be wound up and the Administrators will be appointed to be its liquidators.
- 6.3 The Deed of Company Arrangement will contain such additional provisions, not inconsistent with this proposal, as the Administrators and the Proponent agree are necessary or appropriate.

7 Transfer of the Clout Shares

- 7.1 Where the Clout Shares have not been transferred to the Proponent or his nominee, or a signed agreement (to the Administrators' and the Proponent's satisfaction) within 5 Business Days of execution the Deed of Company Arrangement, the Administrators will make an application pursuant to section 444GA of the *Corporations Act* for leave to transfer the Clout Shares to the Proponent or his nominee free of any encumbrance and without any payment being made by the Proponent his nominee.
- 7.2 Within 7 Business Days after leave being granted pursuant to section 444GA of the *Corporations Act* to do so, the Administrators will transfer the Clout Shares to the Proponent or his nominee pursuant to the orders of the court.
- 7.3 The requirements under paragraphs 7.1 and 7.2 above are to be satisfied by the Sunset Date.

8 Control

- 8.1 The Company will provide to the Administrators such information regarding the assets or affairs of the Company as and when the Administrators consider appropriate, acting reasonably, including:
- (a) monthly management accounts outlining each month's results;

- (b) reconciled bank account balances; and
 - (c) a rolling forecast looking forward 13 weeks,
- to be provided within 21 days from the end of each month.
- 8.2 The Company will assist the Administrators with all reasonable enquiries, including access to representatives, personnel and employees of the Company if necessary, for the purposes of:
- (a) doing anything necessary or desirable in the exercise of their powers and discretions and the performance of their duties, obligations and responsibilities as voluntary administrators or administrators of the Deed of Company Arrangement;
 - (b) concluding all business in relation to the voluntary administration of the Company or the Deed of Company Arrangement;
 - (c) managing the assets comprising the Deed Fund;
 - (d) effectuating and terminating the Deed of Company Arrangement: or
 - (e) reporting to Creditors.
- 8.3 Control of the Company, its business, assets and operations will without exception remain in the custody and control of the Administrators until the Control Conditions specified in paragraph 9 have been satisfied.
- 8.4 The Proponent must provide the Administrators with all reasonable assistance concerning the Company, its business, operations, and assets.
- 8.5 Control of the Company, its business, operations, and assets (with the exclusion of the Deed Fund) will return to its Director on the Control Date.
- 8.6 The Company, the Proponent and each of their related and associated entities will not interfere with the administration of the Deed of Company Arrangement or the Deed Fund.
- 8.7 The Company will not deal with the assets of the Company until the Control Conditions have been satisfied and only then in the ordinary course of business or with the consent of the Administrators.

9 Control conditions

- 9.1 The Control Conditions are:
- (a) the Clout Shares being transferred to the Proponent or his nominee;
 - (b) an initial payment of \$1,235,000 in cleared funds being paid to the Administrators to form part of the Deed Fund, from funds advanced to the Company;
 - (c) a further payment of \$248,982 being paid by Anthony Redfern to the Administrators on account of funds owing by him to the Company; and
 - (d) THN Capital provides a release of its security over the assets comprising the Deed Fund.
- 9.2 The Administrators may call a meeting of creditors to consider a resolution to wind up the Company or such other resolutions that may be resolved by creditors, where the Control Conditions are not:
- (a) satisfied; or
 - (b) waived:

- (i) in the case of the conditions in paragraphs 9.1(b), 9.1(c) and 9.1(d), by the Administrators; or
 - (ii) in the case of the condition in paragraph 9.1(a), by the Proponent,
- on or before the Sunset Date.

10 Property available to pay creditors' claims

- 10.1 On the Control Date the following property will be available to form a Deed Fund for distribution to creditors in the manner contemplated in paragraph 12.1 below, including:
- (a) all cash at bank held by the Administrators after payment of their remuneration, Costs and expenses;
 - (b) term deposits held by Westpac Banking Corporation (or any other financial institution) securing Northparkes Mines bank guarantees in relation to transactions or events arising prior to the Control Date;
 - (c) all loans owing to the Company by the Shareholders and any other parties, except the Employee Loans;
 - (d) the sum of \$2,555,000, payable by the Company to the Administrators which includes:
 - (i) a lump sum payment of \$1,235,000 in cleared funds under 9.1(b); and
 - (ii) eleven payments of \$120,000 in cleared funds payable within 5 business days following the end of each calendar month commencing in August 2021 to June 2022 (inclusive);
 - (e) an amount in cleared funds equal to 5% of the GST exclusive revenue (plus GST, if any) received by the Company during the months commencing in November 2021 to April 2022 (inclusive) payable within 5 Business Days following the end of each calendar month;
 - (f) all trade debtors and any other amounts owing to the Company on any account as at the Control Date;
 - (g) any government rebates, incentives, grants, or GST or other tax refunds receivable for GST or taxes paid for any period preceding the Control Date including in relation to the period of the administration or the DOCA Period; and
 - (h) any proceeds of insurance received in relation to events or circumstances arising prior to the Appointment Date or giving rise to priority claims which are admitted to prove in the Deed of Company Arrangement the DOCA Period.
- 10.2 The Administrators will take such action as they consider fit to recover the above assets for the benefit of the Deed Fund.
- 10.3 The Administrators will hold the Deed Fund for the benefit of Creditors of the Company entitled to receive a distribution in accordance with paragraph 12.1 below and if that distribution is unable to be paid to a Creditor, for the benefit of the Company.

11 Termination

- 11.1 The Deed of Company Arrangement will terminate when:
- (a) the Administrators certify that the Deed Fund has been distributed to participating creditors in accordance with paragraph 12.1 below; or

- (b) the Creditors resolve to terminate the Deed of Company Arrangement under paragraph 11.5 below.
- 11.2 The Administrators may terminate the Deed of Company Arrangement by giving notice to the Creditors, in the following circumstances:
- (a) If the Company fails to make any payment required to be made by the Company under paragraphs 10.1(d) or 10.1(e) above within five Business Days after receiving notice advising the Company of the breach of those provisions and requiring the breach to be rectified.
- (b) If the Company fails to comply with its obligations under paragraph 8.1(a), 8.1(b), or 8.1(c) above, after receiving notice advising the Company of the breach of those provisions and requiring the breach to be rectified.
- 11.3 The Administrators may call a meeting to consider termination of the Deed of Company Arrangement, or such other resolutions that may be resolved by creditors, in the following circumstances:
- (a) If the Control Conditions are not satisfied by the Sunset Date.
- (b) If the Administrators' application for leave to transfer the Clout Shares to the Proponent or his nominee under section 444GA of the *Corporations Act* is refused and the condition in paragraph 9.1(a) above is not waived by the Proponent within 2 Business Days after such refusal.
- (c) If the Administrators determine that it is no longer practicable or desirable to implement the Deed of Company Arrangement.
- 11.4 The Administrators must call a meeting to consider a proposal to vary the Deed of Company Arrangement if the Proponent:
- (a) provides a proposal to vary the Deed of Company Arrangement to the Administrators; and
- (b) pays the sum of \$20,000 plus GST to the Administrators, prior to convening the meeting, on account of their Costs of convening the meeting.
- 11.5 If the Administrators convene a meeting of the Company's Creditors the Creditors may resolve to:
- (a) vary the Deed of Company Arrangement; or
- (b) terminate the Deed of Company Arrangement; or
- (c) terminate the Deed of Company Arrangement and wind up the company appointing the Administrator as its liquidators; or
- (d) enforce the terms of the Deed of Company Arrangement; or
- (e) approve any other proposal permitted under the *Corporations Act*.

12 Distribution of funds

- 12.1 Subject to paragraph 12.4 below, the Deed Fund will be distributed under the Deed of Company Arrangement in the following order of priority:
- (a) firstly, in payment of the trading expenses of the Administrators;
- (b) secondly, in payment of the Winding Up Costs;

- (c) thirdly, in payment of the Costs, charges and expenses (including GST) of the Administrators relating to the voluntary administration or the administration of the Deed of Company Arrangement;
 - (d) fourthly, in payment of the remuneration of the Administrators, as voluntary administrators and administrators of the Deed of Company Arrangement as approved in accordance with the *Corporations Act* (including GST);
 - (e) fifthly, to Prospa Finance in payment of its secured debt, in full;
 - (f) sixthly, to creditors entitled to priority under sections 556(1)(e), (f), (g) or (h), 560 and 561 of the *Corporations Act*;
 - (g) seventhly, in payment of a dividend of up to 20 cents in the dollar to the Essential Creditors;
 - (h) eighthly, in payment of a dividend of up to 7.5 cents in the dollar to other Creditors who are admitted to prove under the Deed of Company Arrangement (**Ordinary Unsecured Creditors**);
 - (i) ninthly, in payment of a dividend of up to 25 cents in the dollar to the Essential Creditors;
 - (j) tenthly, in payment of a dividend of up to 5 cents in the dollar to Ordinary Unsecured Creditors;
 - (k) eleventhly, in payment of a dividend of up to 55 cents in the dollar to the Essential Creditors;
 - (l) finally, to the remaining claims of Ordinary Unsecured Creditors proportionately in accordance with their admitted claims.
- 12.2 The Deed of Company Arrangement will contain provisions in accordance with sections 444DA and 444DB of the *Corporations Act*.
- 12.3 The Deed Administrator may make interim distributions as well as a final distribution and the determination as to when to make distributions shall be at the discretion of the Administrators.
- 12.4 No funds will be distributed to Excluded Creditors.
- 12.5 Unclaimed money will be paid to the Company.
- 12.6 Nothing in the preceding sub-clause will prevent the Administrators from exercising any right pursuant to sections 443D, 443E and 443F of the *Corporations Act*, or prevent the Administrators from retaining property or money on account of any liabilities (including liens and contingent liabilities) arising out of the administration of the Company or the implementation, administration or enforcement of the Deed of Company Arrangement.

13 Adjudication of creditors' claims

The Deed Administrator will call for proofs of debt from creditors and will adjudicate upon those proofs of debt. Subject to paragraph 12.1 above sub-divisions A, B, C and E of division 6 of Part 5.6 of the *Corporations Act* (except section 544) and Regulations 5.6.11A, 5.6.37, and 5.6.39 to 5.6.70 (inclusive) and 5.6.70A of the *Corporations Regulations* will apply to those claims under the Deed of Company Arrangement as if the references to the liquidator were references to the Administrators of the Deed of Company Arrangement.

14 The day on which claims must have arisen to be admissible to prove

- 14.1 Essential Creditors and Ordinary Unsecured Creditors – 21 June 2021

14.2 Employees and other priority creditors - whenever occurring

15 Committee of inspection

The Creditors may resolve to appoint a Committee of Inspection.

Schedule 1

Definitions

In this proposal, unless the context otherwise requires words have the meanings attributed to them in the body of the proposal and:

Administrators means Barry Frederic Kogan and Jonathan Philip Henry of McGrath Nicol, Level 12, 20 Martin Place, Sydney in the State of New South Wales, in their capacity as voluntary administrators or administrators of the Deed of Company Arrangement, as appropriate;

Appointment Date means 21 June 2021;

Asset Finance Contracts means each of the asset finance contracts specified in Schedule 2;

Business Day means a day that is not a Saturday, Sunday or any other day which is public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made;

Clout Shares means the 5 shares in the Company owned by Clout Holdings Pty Ltd;

Company means MGW Engineering Pty Ltd (Administrators Appointed) ACN 104180724 having its registered office at Pigot Miller Wilson, 65 Hill Street, Orange in the State of New South Wales;

Continuing Employees means the employees of the Company named in Schedule 3;

Control Conditions means the conditions referred to in paragraph 9.1;

Control Date means the date on which the last Control Condition under paragraph 9.1 is satisfied, or otherwise waived under paragraph 9.2(b) above;

Costs means costs, charges, fees, government charges, taxes and expenses incurred in connection with the performance of the Administrators' duties, obligations and responsibilities under the *Corporations Act* or the Deed of Company Arrangement;

Creditor means each person who has or may have had a claim against the Company as at the Appointment Date;

Deed Fund means the fund created under paragraph 10.1;

Director means Anthony Redfern of 72 Kent Road, Mullion Creek in the State of New South Wales;

DOCA Effectuation means the date on which paragraph 12 is satisfied.

DOCA Period means the period beginning on the date of execution of the DOCA and concluding on the DOCA Termination.

Employee Loans means any loans owed by any current employee of the Company (but does not include loans owed by the Proponent or Michael Clout).

Essential Creditors means the creditors named in Schedule 4;

Excluded Creditor means;

- (a) the Continuing Employees (except for superannuation guarantee charges outstanding as at 21 June 2021); and
- (b) the Ongoing Asset Finance Creditors.

Ongoing Asset Finance Creditors means the parties named in Schedule 2, with respect to the Asset Finance Contracts;

Proponent means Antony Redfern of 72 Kent Road, Mullion Creek in the State of New South Wales;

Related Entities has the meaning of that term in the *Corporations Act*;

Shareholders means ABR Holdings1 Pty Limited and Clout Holdings Pty Ltd and their respective directors and related and associated entities;

Sunset Date means three weeks from the date of the second meeting of creditors (currently convened for 26 July 2021) or such later date as the Administrators and the Proponent agree in writing;

THN Capital means THN Capital Funding Pty Limited ACN 626 374 730 of Level 5, 55 Miller Street, Pymont in the State of New South Wales; and

Winding Up Costs means the costs incurred by Waco Kwikform Limited in prosecuting, and the costs incurred by The Acko Group Pty Ltd and Lakeland Hire Group as supporting creditors in, proceedings no. S ECI 2021 01732 in the Supreme Court of Victoria between Waco Kwikform Limited, as plaintiff, and the Company, as defendant, in the agreed and capped sum of \$31,808.11 inclusive of GST.

Schedule 2

Ongoing Asset Finance Creditors

Creditor	Contract details	Asset description
Caterpillar Financial Australia Limited	850-80002197	2018 Caterpillar 308E2 Mini Excavator Serial: CAT0308EAFJX12007
Flexirent Capital Pty Ltd	n/a	Blast & Paint Equipment incl. Air Compressor VT50 Serial: 1870680001
Grow Funding Pty Ltd	n/a	Modular 5T Crane Serial: 36949 & Bandsaw Conveyor
Metro Finance Pty Ltd	n/a	2011 Caterpillar Skid Steer 246C Serial: JAY06344
Toyota Finance Australia Limited	6329273	2015 Toyota Hilux VIN: MR0KA3CD601217490
Toyota Finance Australia Limited	6332064	2018 Isuzu FY Series FYJ 300-350 VIN: JALFYH77WH7000077
Toyota Finance Australia Limited	6333230	2018 Toyota Landcruiser VIN: JTMHV05J104263032
Toyota Finance Australia Limited	6329268	2015 Toyota Hilux VIN: MR0EX3CB601120235
Toyota Finance Australia Limited	6329270	2016 Toyota Landcruiser VIN: JTEBV71J407020524
Toyota Finance Australia Limited	6329269	2016 Toyota Landcruiser VIN: JTEBV71J507018376
Toyota Finance Australia Limited	6329272	2016 Toyota Landcruiser VIN: JTEBV71J407020524
Toyota Finance Australia Limited	6350814	2018 Toyota Hilux VIN: MR0KA3CD101224766
Toyota Finance Australia Limited	6350817	2018 Toyota Hilux VIN: MR0KA3CD801224800
Toyota Finance Australia Limited	6350516	2018 Toyota Hilux VIN: MR0KA3CD701224822
Toyota Finance Australia Limited	6448156	2018 Toyota Hilux VIN: MR0KA3CD401305602
Toyota Finance Australia Limited	6448157	2008 Isuzu F-Series FVZ1400 VIN: JALFVZ34S87000200
Toyota Finance Australia Limited	6470860	2016 Toyota Landcruiser VIN: JTELV71J20B018482

Creditor	Contract details	Asset description
Westpac Banking Corporation	012-0244277-030	2003 Excavator PC270 Serial: 10024
Westpac Banking Corporation	012-0244277-026	1997 Franna 14T Crane Serial: 1550
Westpac Banking Corporation	012-0244277-027	2006 Caterpillar 5T VIN: CAT0305CVHWJ01384
Westpac Banking Corporation	012-0244277-021	2014 Toyota Landcruiser VIN: JTELV73JX09014863
Westpac Banking Corporation	012-0244277-023	2017 Toyota Hilux VIN: MR0KA3CD201202484
Westpac Banking Corporation	012-0244277-024	2017 Toyota Hilux VIN: MR0KA3CD201202480
Westpac Banking Corporation	n/a	1991 Toyota Landcruiser 6-wheel VIN: JT731PJ7508508837
Caterpillar Financial Australia Limited	850-80002197	2018 Caterpillar 308E2 Mini Excavator Serial: CAT0308EAFJX12007
Flexirent Capital Pty Ltd	n/a	Blast & Paint Equipment incl. Air Compressor VT50 Serial: 1870680001
Grow Funding Pty Ltd	n/a	Modular 5T Crane Serial: 36949 & Bandsaw Conveyor
Metro Finance Pty Ltd	n/a	2011 Caterpillar Skid Steer 246C Serial: JAY06344
Toyota Finance Australia Limited	6329273	2015 Toyota Hilux VIN: MR0KA3CD601217490

Schedule 3

Continuing Employees

First name	Surname
Adrian	Anderson
Jerwin	Arostique
Charles	Atkins
Lachlan	Backhouse
Sebastian	Backhouse
Ronald	Battishall
Curtis	Bennett
Daniel	Bermingham-Friend
Daniel	Betts
Wesley	Blair
Shawn	Brown
Scott	Brownley
Rodel	Calampinay
Brett	Campbell
Cameron	Clarke
Joseph	Coelli
William	Colless
Travis	Cornelissens
Darryn	Cotter
Chantel	Deliyiannis
Paul	Downey
Kain	Earsman
Benjamin	Fitzpatrick
Trent	Glanville
Roland	Gloria
Thomas	Green
James	Gunning
Alisa	Haynes
Dylan	Hetherington

First name	Surname
Andrew	Homes
Mark	Kelly
Jakeob	Langfield
Ben	Lanser
Jenna	Lawson
Mitchell	Lazzarini
Agnieszka	Maksacheff
Mathew	McAnulty
William	Morgan
Dylan	Neist
Robert	Oakes
Matthew	O'Donnell
Jake	Offner
Mathew	Patterson
Harrison	Pittis
Fernan	Rallestan
Anthony	Redfern
Kurtley	Rowse
Robert	Russell
Dan	Schramm
Danny	Sharpe
Angela	Sheridan
Warwick	Sheriff
Melyka	Sommer
Shaun	Spencer
Warren	Stanley
Scott	Sullivan
Vicki	Tarr
Jeda	Thompson

First name	Surname
Ned	Tipping
Jaye	Tomas
Cal	Townsend
Joseph	Ualesi
Scott	Vardanega
Samuel	Webster
Royden	Wielaard

First name	Surname
Jared	Wighton
Dean	Wilson
Toby	Wright
Barry	Yates
Victoriano	Zamora
Nicolas	Zographos

Schedule 4
Essential Creditors

Creditor Name
About Compliance and Training Pty Ltd
AGL Retail Energy Limited
Akzo Nobel Pty Ltd
Alibu Pty Ltd T/AS Waterways of Singleton
BMJ Trucking Pty Ltd
BOC Limited
BRL Design Pty Ltd
Bunnings Group Limited
Camery Family Trust T/AS Scott Camery Welding & Fabrication
Central Plate & Gal Pty Ltd
Central West Inspection Pty Ltd
Colton Computer Technologies Pty Ltd
Coventry Group Ltd T/AS Konnect Fastening Systems
Craig Raymond Dolbel T/AS Test 'N' Tag Orange
Daniel Betts
Dulux Group (Australia) Pty Ltd
Edcon Steel Pty Ltd
Fentarian Pty Ltd T/AS Sullivans Mining & Hardware
G K Craig Pty Ltd T/AS GK Craig Printing
GB Auto Group Pty Ltd
Hoppa Family Trust T/AS Midwest Signs
Inductabend Pty Ltd
IXL Metal Castings Pty Ltd
J R & E G Richards Pty Ltd T/AS JR Richards & Sons
J R Richards Family Trust T/AS Colour City Waste Solutions
JAX Tyres Orange

Creditor Name

JTMEC Pty Ltd

~~Kaseya Australia Pty Ltd~~

~~Kennards Hire Pty Ltd~~

MAAS Group Pty Ltd

Neville Family Trust T/AS Orange City Cleaning Service

~~Officeworks Ltd~~

Orange Clothing Company Pty Ltd

Pentreath Enterprises Pty Ltd T/AS Grants Express

Peter C Mueller T/AS Pete's Car Wash

Preindre Pty Ltd T/AS Gosford Printing

R G Miller T/AS Millers Crushing & Earthmoving Repairs

Reliable Conveyor Belt Pty Ltd

Rollco Pty Ltd

Specialised CNC Engineering Pty Ltd

Teleo Design Pty Ltd

The Bell Family Trust T/AS ALO Design

Timothy Anderson T/AS MTS Mechanical Repairs

TJM 4WD & Vehicle Accessories

~~TNT Australia Pty Ltd~~

~~Toyota Material Handling Australia Pty Ltd~~

Vajumi Pty Ltd T/AS BBF Industrial

Viatek Central West NSW Pty Ltd

~~Weir Minerals Australia Ltd~~

Western Battery Company Pty Ltd

Whites (Orange) Pty Ltd
