



# Walton Construction Pty Ltd (In Liquidation)

## ACN: 060 900 218

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**Joint and Several Liquidators' Annual Report to Creditors**

**8 November 2017**

**Michael Gerard McCann**  
Joint and Several Liquidator

**Graham Robert Killer**  
Joint and Several Liquidator

**Andrew Stewart Reed Hewitt**  
Joint and Several Liquidator

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# Glossary

<b>the Act</b>	Corporations Act 2001	<b>Mawson Group</b>	Mawson Restructure and Workouts Pty Ltd and Mawson CFO Advantage Pty Ltd, collectively restructuring advisors to the Group
<b>the Administrators</b>	The former Administrators of the Company, being Messrs Stirling Horne, Jason Stone and Glenn Franklin of PKF Lawler	<b>NAB</b>	National Australia Bank Ltd
<b>AI</b>	Assetinsure Pty Ltd	<b>PE</b>	Public Examinations held during the following periods: <ul style="list-style-type: none"><li>• 30 November 2015 to 2 December 2015; and</li><li>• 16 February 2016 to 17 February 2016.</li></ul>
<b>ASIC</b>	Australian Securities and Investments Commission	<b>Peloton</b>	Peloton Builders Pty Ltd (In Liquidation)
<b>ATO</b>	Australian Taxation Office	<b>PPSR</b>	Personal Property Securities Register
<b>BAS</b>	Business Activity Statements	<b>Receivers and Managers</b>	Messrs Sal Algeri and Glen Kanevsky of Deloitte as Receivers and Managers of the Company
<b>c</b>	circa	<b>QBCC</b>	Queensland Building Construction Commission, formerly known as Queensland Building Services Authority
<b>WC</b>	Walton Constructions Pty Ltd (In Liquidation)	<b>QHT</b>	QHT Investments Pty Ltd, an entity ultimately controlled by Patrick McCurry (Mawson Group)
<b>the Court</b>	Federal Court of Australia	<b>RATA</b>	Report as to Affairs
<b>the Director, CW</b>	Statutory Director of Company, Craig Hall Walton	<b>Walton Group</b>	Collectively the Company and WC
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation	<b>WIP</b>	Work in progress
<b>FY 12 / FY 13</b>	Financial Years ended 2012 and 2013	<b>WCQ</b>	Walton Construction (Qld) Pty Ltd (In Liquidation)
<b>the Group</b>	The Company and WC collectively	<b>WFT</b>	Walton Family Trust
<b>k</b>	thousand	<b>WHT</b>	Walton Holdings Trust
<b>LAS</b>	Lewton Asset Services Pty Ltd (In Liquidation)	<b>WPDUT</b>	Walton Property Development Unit Trust
<b>the Liquidators</b>	Messrs Graham Robert Killer, Andrew Stewart Reed Hewitt and Michael Gerard McCann as Official Liquidators of the Company	<b>WQT</b>	Walton (Qld) Trust
<b>m</b>	million	<b>YTD</b>	Year to date

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# Section 1 Introduction

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# Introduction and Meeting

## 1.1 Introduction

- Pursuant to an Order of the Federal Court of Australia made on 29 July 2014 Messrs Andrew Stewart Reed Hewitt, Graham Killer, and I were appointed Joint and Several Liquidators of Walton Construction Pty Ltd (In Liquidation) ('the Company').
- This report details key achievements since my previous annual report dated 8 November 2016 which include:
  - Progressing recovery actions against QHT (WCQ);
  - Commenced action that will lead to proceedings against Mawsons and associated parties;
  - Preparing an expert witness report as to the insolvency of WC and WCQ at the time of the various transactions challenged under the above proceedings;
  - Negotiating and agreeing support from the Commonwealth Department of Employment via the Fair Entitlements Guarantee ("FEG") scheme to fund a suite of 5 legal recovery actions;
  - Continued liaison with the corporate regulator (ASIC) with respect to allegations of director misconduct;
  - Issuing demands to all debtors listed in the Company's electronic records and followed these demands with letters requesting detailed documentation to substantiate any disputes or counterclaims alleged by the Company's customers / principals.
- Should you have any queries with respect to this report, please contact Mr Zac Dullard of my office on (07) 3222 0341 or [zac.dullard@au.gt.com](mailto:zac.dullard@au.gt.com)



Michael McCann  
Joint and Several Liquidator

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## Section 2 Executive Summary

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# Executive Summary

## 2.1 Recovery Actions

- At the time of our previous annual report the Liquidators had:
  1. Secured the electronic and physical books and records of WC and WCQ;
  2. In conjunction with specialist IT consultants, restored the 'back-up' tapes containing 'jobpac' accounting data for WFT, WQT, WC, WCQ and the 'newco' entities Peloton and LAS. With the assistance of the software provider (Viewpoint), this information was subsequently migrated into a current operating version of jobpac (version 9);
  3. Conducted a public examination which included the production of document and court examination of 10 individuals, and the production of documents by a further 8 individuals. The examinees included the director, management, advisors and financiers of the Walton Group
  4. Completed and lodged supplementary Section 533 reports with ASIC regarding areas of potential misconduct by the Director and other parties;
  5. Successfully negotiated the release of AI's security from the Personal Property Securities Register (c.\$1.4m benefit);
  6. Sought and obtained legal advice as to any claims which might be successfully brought against NAB and negotiated the release of surplus funds from NAB (c.\$411k remains to be paid by NAB);
  7. Commenced proceedings against QHT and attended court ordered mediation regarding the voidable transaction claim brought by WCQ (at the request of Mawson Group this mediation included discussion around additional claims brought by WC).
  8. Investigated and determined not to pursue a voidable transaction claim against Crisp Legal Pty Ltd (now in Liquidation).
  9. Commenced proceedings against GMK and the ATO in respect of voidable transactions.
  10. Issued payment demands to all debtors recorded in the Jobpac records of WC and WCQ

## 2.2 Recovery Actions

- Since our last annual report the Liquidators have:
  1. Settled proceedings with the Australian Taxation Office for \$200k (WCQ);
  2. Settled proceedings with GMK Partners Pty Ltd for \$40k (WC);
  3. Commenced proceedings to recover voidable transactions against Mawsons (now in Liquidation)(WC and WCQ);
  4. Commenced proceedings to recover Craig Walton's loan account totalling \$1.65m (WC);
  5. Progressed proceedings against QHT including preparation of an expert evidence report now filed with the Federal Court of Australia (WCQ);
  6. Issued demands for damages in respect of breaches of duty by the director and parties associated with Mawsons (WC and WCQ).

## 2.3 FEG Funding

- We are pleased to advise the Department of Employment through its agency, Fair Entitlement Guarantee ("FEG") has agreed to support and fund the litigation of the following claims:
  - Voidable transaction against QHT Investments Pty Ltd ("QHT") for the assignment of the loan (WCQ)
  - Breach of director duties claim against Craig Walton, Mawsons (and parties associated with it) for the \$1.3m payment made to Peloton on 3 October 2013 (WCQ)
  - Voidable transaction against Mawsons in the amount of \$1.637m for preferential payments made during the relation back period (WCQ and WC)
  - Breach of director duties claim against Craig Walton and Mawsons for a \$274k transfer on 2 October 2013 (WC)
  - Debt recovery against Craig Walton for his personal loan totalling \$1.617m.

# Executive Summary

## **2.3 FEG Funding**

- The amount proposed to be funded by FEG represents the lower limit of our funding request and FEG has indicated that the Department will consider a further uplift to the upper limit provided should the need arise on notice from the liquidator if the lower limit looks likely to be reached.
- Given the absence of funds in the liquidation of the Company, the aforementioned funding arrangements are critical to progressing litigation of the claims previously detailed.

## **2.4 Debtors**

- During the last 12 months we have issued demands to all debtors listed in the Company's electronic records and followed these demands with letters requesting detailed documentation to substantiate any disputes or counterclaims alleged by the Company's customers / principals.
- The only additional recovery made since our last report to the Committee was the return of \$4k in retention monies from Bayside City Council.
- We have the ability to include any debtors in a further round of Public Examinations if considered appropriate to do so.



# Executive Summary

## 2.6 Next steps

- In progressing the Liquidation of WC and WCQ we will attend to the following:
  - Pursue the final release of surplus monies (currently disputed by 11 Yarra St Pty Ltd) held by NAB;
  - Progress the claim against QHT (trial expected in 2018 if a satisfactory settlement offer is not received);
  - Progress the recovery of Craig Walton's loan account in the report (mediation expected in early 2018);
  - Progress the claims against Craig Walton, Mawsons (and parties associated with it) for breach of director duties (aiding and abetting)(statements of claim to be filed in the coming months);
  - Consider recovery action against Peloton and its director in respect of WCQ debtors wrongfully collected by Peloton;
  - Continue to liaise with and support ASIC's investigations and enforcement activity as and when required;
  - Continue investigations into the possibility of recoveries from debtors;
  - Continue to liaise with the Committee of Inspection;
  - Continue to assist subcontractors seeking bank guarantees release requests; and
  - Attend to any further queries raised by creditors, employees and other key stakeholders regarding the liquidation.
- The timeframe to complete the Liquidation will depend on the availability of the courts to progress the aforementioned legal actions and any enforcement activity undertaken by ASIC. These matters are unlikely to be resolved within the next 12 months.

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## Section 3 Recovery Actions

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# Summary

## 3.0 Summary

- We have to date focused our efforts on progressing those claims with the strongest prospects of either:
  - affecting a financial recovery for the benefit of creditors; or
  - determining Craig Walton's financial capacity (it is expected that Craig Walton will declare bankruptcy prior to satisfying any claim).
- After extensive liaison with both the Commonwealth Department of Employment and QBCC, we are pleased to advise that the Fair Entitlement Guarantee ("FEG") scheme has agreed to fund the litigation of the following claims:
  - Voidable transaction against QHT Investments Pty Ltd ("QHT") for the assignment of the loan (WCQ)
  - Breach of director duties claim against Craig Walton, Mawsons (and parties associated with it) for the \$1.3m payment made to Peloton on 3 October 2013 (WCQ)
  - Voidable transaction against Mawsons in the amount of \$1.637m for preferential payments made during the relation back period (WCQ and WC)
  - Breach of director duties claim against Craig Walton and Mawsons for a \$274k transfer on 2 October 2013 (WC)
  - Debt recovery against Craig Walton for his personal loan totalling \$1.617m.
- It is possible that subject to the outcome of the claims now initiated, additional claims (such as insolvent trading) may be commenced.
- The following pages provide a summary of the following key activities undertaken since our last annual report to progress recovery actions:
  1. FEG Funding Agreement (Committee Approval Required)
  2. Voidable Transaction Claim against QHT Investments Pty Ltd (c.\$700k) (WCQ)
  3. Voidable Transaction Claims against Mawson Restructures and Workouts Pty Ltd (c.\$1.2m)
  4. Recovery of Craig Walton Loan Accounts (c\$1.6m)
  5. Issued demands for damages in respect of breaches of duty by the director and parties associated with Mawsons (WC and WCQ).
  6. Voidable Transaction Claim against the ATO (c\$200k) (WCQ)
  7. Recovery of surplus NAB monies (c\$440k)
- Please refer to our previous reports for a more detailed analysis of the background to claims that have already been settled (eg GMK and ATO).

# FEG Funding

## 3.1 FEG Funding

- We are pleased to advise the Department of Employment through its agency, Fair Entitlement Guarantee ("FEG") has agreed to support and fund the litigation of the following claims:
  - Voidable transaction against QHT Investments Pty Ltd ("QHT") for the assignment of the loan (WCQ)
  - Breach of director duties claim against Craig Walton, Mawsons (and parties associated with it) for the \$1.3m payment made to Peloton on 3 October 2013 (WCQ)
  - Voidable transaction against Mawsons in the amount of \$1.637m for preferential payments made during the relation back period (WCQ and WC)
  - Breach of director duties claim against Craig Walton and Mawsons for a \$274k transfer on 2 October 2013 (WC)
  - Debt recovery against Craig Walton for his personal loan totalling \$1.617m.
- We have been involved in extensive negotiations with FEG and have settled a funding agreement.
- The terms of the funding agreement accounts for disbursement of any recoveries in the following order:
  - first, to the Liquidator for the payment of any unpaid balance of any Payment, and Insolvency Practitioner's Fees, Legal Expenses, Other Expenses or Adverse Costs Order that have been incurred but are not the subject of a Payment;
  - second, pari passu to the Commonwealth in repayment of the Total Commonwealth Costs and to the Queensland Building and Construction Commission in payment of the total Queensland Building and Construction Commission Costs;
  - third, unless otherwise agreed to in writing by the Commonwealth, to the Commonwealth in satisfaction of the Admitted Debt, to the extent that the Admitted Debt has priority over the claims of ordinary unsecured creditors;
  - the balance to the Insolvency Practitioner to be distributed pursuant to the provisions of Part 5.6, Subdivision D of the Corporations Act.
- It is also a key condition to the funding agreement that the Commonwealth be appointed as a member of the Committee of Inspection. We are currently in the process of confirming the Commonwealth's appointment to the Committee of Inspection.

# FEG Funding & QHT

## 3.1 FEG Funding

- The amount funded by FEG represents the lower limit of our funding request and FEG has indicated that the Department will consider a further uplift should the need arise.
- Given the absence of funds in the liquidation of the Company, the aforementioned funding arrangements are critical to progressing litigation of the claims previously detailed.
- Pursuant to Section 477 of the Corporations Act, the Committee of Inspection must approve the arrangements with the FEG in order for it to become effective.
- At the meeting held on 6 December 2017, the members of the Committee of Inspection considered and approved the Liquidators executing the Funding and Indemnity Deed with the Fair Entitlement Guarantee.

## Voidable Transactions

### 3.2 Challenging sale of the WC loan account to QHT (WCQ)

#### Background

- The particulars of the QHT transaction have been detailed in length in our previous annual report.
- On 1 April 2016, the Liquidators of WCQ issued correspondence to QHT advising that we considered the transaction to be uncommercial and void pursuant to the Corporations Act.
- On 16 June 2016, we received a response from Nick Stretch Legal (representing QHT) disputing our assertion, primarily on the basis the sale of the loan account was part of a broader suite of transactions (including the LAS and Peloton business sale agreements).
- On 2 September 2016, we applied to the Federal Court for an injunction preventing the liquidator of LAS distributing any funds to QHT. This application was dismissed by the Court.
- On 15 December 2016, at a direction hearing held at the Federal Court of Australia, Justice Edelman ordered the parties attend mediation before a Federal Court Register and exchange critical documents on a without prejudice basis.
- On 21 December 2016, we attended the court ordered mediation. After extensive dialogue between the parties, the mediation did not resolve.
- On 21 April 2017, we received notice that QHT had engaged Arnold Bloch Leibler as its new legal advisor.
- During May 2017 we provided discovery to QHT of all documents pertaining to the claim.
- In September 2017, the Liquidators filed a detailed expert witness report into the solvency of WC and WCQ at the time of the transaction.

# QHT Voidable Transactions

## Voidable Transactions (Cont)

### 3.2 Challenging sale of the WC loan account to QHT (WCQ)

- As a consequence of QHT's denial that WCQ was insolvent at the time of transferring the loan account balance to QHT (18 September 2013), it was necessary to file expert witness evidence on this issue.
- Given that I had already prepared a detailed supplementary s533 reports to ASIC on matters including the solvency of WCQ and WC, it was appropriate that I should prepare this expert report.
- In accordance with section 95A of the Corporations Act, a Company is solvent if, and only if, it is able to pay all the company's debts, as and when they become due and payable. A company who is not solvent is considered to be insolvent.
- The solvency of a company is typically considered in terms of, and assessed by, a combination of:
  - The "Cashflow" test (the sufficiency of liquid resources available to pay debts as and when they fall due)
  - The "Balance Sheet" test (whether the assets exceed liabilities)
- The Balance Sheet test is particularly helpful in assessing insolvency in circumstances where a group of companies operate with significant intercompany loan balances and treasury function (as is the case with WC and WCQ). In such circumstances, any assessment of solvency of an individual Company in the group is generally made in the context of the solvency of the Group in its entirety.
- My assessment of insolvency for WC and WCQ included an extensive analysis (74 pages with 77 (145mb of annexures) of WC and WCQ's financial position based on balance sheet and cash flow tests. The insolvency report was filed on 20 September 2017 and concluded that WC and WCQ were insolvent from 30 April 2013 and remained insolvent from that time.
- The following orders were made by Justice Derrington on 3 November 2017:
  - By 4.00pm on 19 December 2017, the respondent file and serve any affidavit evidence other than evidence by Patrick McCurry, including any expert report.
  - By 4.00pm on 12 February 2018, the respondent file and serve any affidavit evidence by Patrick McCurry.
  - By 4.00pm on 19 March 2018, the applicants file and serve any affidavit evidence or expert report in reply.
  - The proceeding be set down for a trial for four days from 11 June 2018.
- **FEG has agreed to fund the pursuit of this claim.**

# Mawsons Voidable Transactions

## 3.3 Mawson Restructures and Workouts Pty Ltd ("Mawson")

- From our investigations into the affairs of the Company we formed the view that certain payments received by Mawson were either uncommercial in nature and/or received in preference to the general body of unsecured creditors.
- Mawsons requested this matter be included in discussions at the mediation against QHT Investments Pty Ltd (discussed on the previous page) though after extensive dialogue between the parties, the mediation did not resolve. At the court ordered mediation for QHT it became apparent that the Mawson Group would vehemently defend all claims against them and are willing to exhaust all their available funds in doing so.
- On 31 March 2013, the Liquidators filed a statement of claim against Mawsons in the amount of \$1,173,807.80 being the 'success fee' paid on 20 September 2013.
- On 2 June 2017, Mawsons provided their defence to our statement of claim.
- On 20 September, I filed an expert report into the solvency of the Company at the time of the transaction.
- On 13 October 2017 we received notice that Mawson's solicitors (Arnold Bloch Leibler) are no longer acting for Mawson in the proceedings we have commenced.
- **On 20 October 2017 we received advice that the directors of Mawsons had placed it into Liquidation.**
- Based on the RATA provided by Patrick McCurry for Mawsons, Mawsons has no realisable assets. This is consistent with the net asset position of (\$250k) reported in Mawsons' 2015 financial statements.
- **Whilst FEG has agreed to fund the claim against Mawsons, the claim is unlikely to progress as it appears that Mawsons' Liquidator is unlikely to realise sufficient funds to support a distribution to Mawsons' unsecured creditors.**

# Craig Walton Loan Account

## 3.4 Craig Walton Loan Accounts

- During the public examination, Mr Walton acknowledged that his loan account balance with WC was approximately \$1m, but he had no capacity to repay same. This loan balance was not disclosed in Mr Walton's Report as to Affairs for the Company.
- On 22 December 2015, WC issued demands to Craig Walton, Melissa Walton and Matthew Walton for the repayment of the loan balances which totalled c\$1.65m as at the time the Administrators were appointed.
- In early 2016, we received responses from Wisewould Mahony Lawyers (the legal representatives for the Walton Family) disputing the quantification of the loan balances and suggesting that a significant portion of the loan balance was over 6 years old and statute barred from recovery action. In response to the above, our solicitors issued multiple rounds of correspondences to Wisewould Mahoney Lawyers refuting the claims made by Mr Walton and reiterating our position.
- Mr Walton asserted that he had insufficient information to respond to the demand in detail. In response to this, we organised for a supervised visit to the storage facility in Victoria to inspect the Company's records and provided a read-only copy of Jobpac.
- On 29 June 2017, we filed a statement of claim in the Supreme Court of Victoria for these proceedings.
- On 3 August 2017, Craig Walton provided a defence to our statement of claim.
- On 12 September 2017, we applied to court to have the defence of Craig Walton struck out. On 13 September 2017 Wisewould Mahoney Lawyers advised that Craig Walton wished to file and serve an amended defence for the proceedings.
- On 6 October 2017, Craig Walton filed an amended defence.
- Mr Walton is requesting detailed discovery and we are disputing this as it is unnecessary.
- **FEG has agreed to fund the pursuit of Craig Walton's loan account debt.**



# Breach of Director Duties Claims - Craig Walton and Company Advisors

## 3.5 Breach of Director Duties

### **Challenging the payment of \$1.3m to Peloton Builders on 3 October 2013 (WCQ)**

- On 30 September 2013, the Company entered an Asset Sale Agreement with Peloton Builders to sell the business assets.
- On 3 October 2013, the date the Company entered administration, \$1.3m was paid to Peloton.
- We query whether there was any commercial benefit to the Company in making this payment and believe this may constitute a breach of director duties for Mr Walton and any individuals who may be considered to have aided or abetted Mr Walton in this action.
- We are commencing proceedings to recover against the director and Mawsons (and parties associated with it) in respect of this action.
- **FEG has agreed to fund the pursuit of this claim.**
- A statement of claim for this action has been drafted and will be filed when the FEG funding agreement has been executed.

### **Challenging the payment of \$274k to Lewton Asset Services on 2 October 2013**

- On 2 October 2013, the day before the Company entered administration, a request for c.\$274k to be paid to LAS on behalf of the Company.
- We are not aware of any contractual requirement by the Company to account to LAS for same.
- We consider the \$274k payment provided no commercial benefit to the Company. Furthermore, this amount was paid when the company was insolvent. We believe this may constitute a breach of director duties for Mr Walton and any individuals who may be considered to have aided or abetted Mr Walton in this action.
- We are commencing proceedings to recover against the director and Mawsons in respect of this action.
- **FEG has agreed to fund the pursuit of this claim.**
- A statement of claim for this action has been drafted and will be filed when the FEG funding agreement has been executed.

# ATO Insolvent Transaction and NAB surplus funds

## **3.6 Australian Taxation Office ("ATO") (WCQ)**

- Following multiple rounds of discussion with the ATO, we settled the claim with the ATO for \$200,000 on 29 May 2017.

## **3.7 Recovery of surplus funds from National Australia Bank (NAB)**

- A deed which provided a limited release to NAB in respect of insolvent transactions under the Corporations Act was entered into with NAB on 25 August 2016.
- NAB provided the first instalment of surplus funds in the amount of \$987,734 on 15 September 2016. These monies relate to WCQ.
- At the last Committee of Inspection meeting we advised that a final distribution of c.\$411k was due to be made to the Walton Group in the coming weeks (c.\$45k relating to WC whilst the remainder will be allocated to WCQ).
- NAB provided the first and final instalment of WC's surplus funds in the amount of \$73,936 on 26 September 2017.
- On 20 June 2017 we received a letter from Wisewould Mahoney, the legal representatives of 11 Yarra St Pty Ltd ("11 Yarra"), asserting that 11 Yarra has either a right of indemnity against WC or a right of contribution against WCQ "under the Guarantee" as a consequence of the manner in which the NAB enforced securities and applied the funds realised from those securities.
- We have referred this to our legal advisors who issued detailed correspondence refuting the claim made by 11 Yarra.

- **In light of the allegations made by 11 Yarra NAB has indicated that it is unwilling to pay the \$411k to the Liquidators because, in its view, it may be exposed to potential claims by 11 Yarra if it does so.**
- **In order to secure the sum of \$411k, the Liquidators propose to require that NAB pay the funds into Court. The Liquidators will then make an application to the Court for the \$411k to be released to them on behalf of WCQ. This is the normal process when an entity holds disputed funds which it does not claim.**
- **If 11 Yarra does not agree with the funds being released to the Liquidators, it will be required to file appropriate affidavit evidence opposing the Liquidators' application.**

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# Debtors

## 4.1 Debtors

- During the last 12 months we have issued demands to all debtors listed in the Company's electronic records and followed these demands with letters requesting detailed documentation to substantiate any disputes or counterclaims alleged by the Company's customers / principals.
- The only additional recovery made since our last annual report is the return of \$4k in retention monies from Bayside City Council.
- We have the ability to include any debtors in a further round of Public Examinations if considered appropriate to do so.
- It is our intention to pursue details of counterclaims / subcontractor charges from project principals (debtors).

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# ASIC Engagement

## **5.1 ASIC Engagement**

- Detailed investigations were conducted in preparing a Supplementary s533 report for ASIC.
- We continue to liaise with and provide information to ASIC to support their consideration of further disciplinary actions.
- ASIC does not disclose details of any proposed prosecutions and accordingly we am unable to provide any further commentary on this topic at this time.

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## Section 6 Summary Receipts and Payments

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# Summary of Receipts and Payments

## 6.1 Summary of Receipts and Payments

- A summary of the Liquidators' receipts and payments since our appointment on 29 July 2014 to 8 November 2017 is summarised in the table below:

	(\$) (Incl GST)
<b>Receipts</b>	
Debtor Recoveries	138,436
NAB Surplus Monies	73,936
FEG Advance for Employee Entitlements	152,681
Advance by ASIC	63,458
Advance by QBCC	112,288
Advance by AI	10,062
Advance by Meridian Lawyers	1,120
Advance by FEG	3,927
Goods and Services Tax (BAS Refunds)	81,720
Illawarra Settlement	820,000
GMK Settlement	40,000
Deloitte Surplus Monies	1,175
Interest	2,312
Intercompany Loan (WCQ)	50,000
Other Income	510
<b>Total Receipts</b>	<b>1,551,625</b>
<b>Payments</b>	
Appointee Disbursements	(52,025)
Appointee Fees	(614,298)
Appointee Fees - Public Examination	(188,545)
Bank Charges	(234)
FEG Employee Distribution	(127,623)
PAYG Withholding Tax	(25,058)
Legal Fees	(239,388)
<b>Total Payments</b>	<b>(1,247,171)</b>
<b>Reconciled Cash at Bank</b>	<b>304,455</b>



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# Return to Creditors

## 7.0 Return to Creditors

- We currently hold insufficient funds to discharge priority creditor claims in full. This position is unlikely to change in the absence of a significant recovery from one or more of the following sources:
  - Debtors
  - Mawson Restructures and Workouts (WRW) and associated entities
  - Craig Walton and Walton associated entities
- It is unlikely any significant recoveries will result directly from MRW (which is now in Liquidation), or Craig Walton (who has previously represented to hold no significant assets).
- The prospect of a material recovery is therefore likely to depend on our ability to successfully prosecute 'breach of director duties' claims to which the professional insurance policy of MRW responds. The gross sum of these claims are c\$1.6m.
- After discharging the costs of pursuing the claims and FEG's liability (as detailed in the FEG funding agreement), it is possible that sufficient funds will be available to support a small distribution to unsecured creditors. However given the quantum of unsecured claims, any distribution (if any) is unlikely to exceed 1-2c/\$.

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# Future Actions

## 9.0 Next steps

- In progressing the Liquidation of WC and WCQ we will attend to the following:
  - Pursue the final release of surplus monies (currently disputed by 11 Yarra St Pty Ltd) held by NAB;
  - Progress the claim against QHT (trial expected in 2018 if a satisfactory settlement offer is not received);
  - Progress the recovery of Craig Walton's loan account in the report (mediation expected in early 2018);
  - Progress the claims against Craig Walton, Mawsons (and parties associated with it) for breach of director duties (aiding and abetting)(statements of claim to be filed in the coming months);
  - Liaise with the Liquidator of Mawson Restructures and Workouts Pty Ltd and consider the pursuit of the voidable transaction claim in the event a distribution to unsecured creditors is likely;
  - Consider recovery action against Peloton and its director in respect of WCQ debtors wrongfully collected by Peloton;
  - Continue to liaise with and support ASIC's investigations and enforcement activity as and when required;
  - Continue investigations into the possibility of recoveries from debtors;
  - Continue to liaise with the Committee of Inspection;
  - Continue to assist subcontractors seeking bank guarantees release requests; and
  - Attend to any further queries raised by creditors, employees and other key stakeholders regarding the liquidation.
- The timeframe to complete the Liquidation will depend on the availability of the courts to progress the aforementioned legal actions and any enforcement activity undertaken by ASIC. These matters are unlikely to be resolved within the next 12 months.