
Remuneration Approval Report

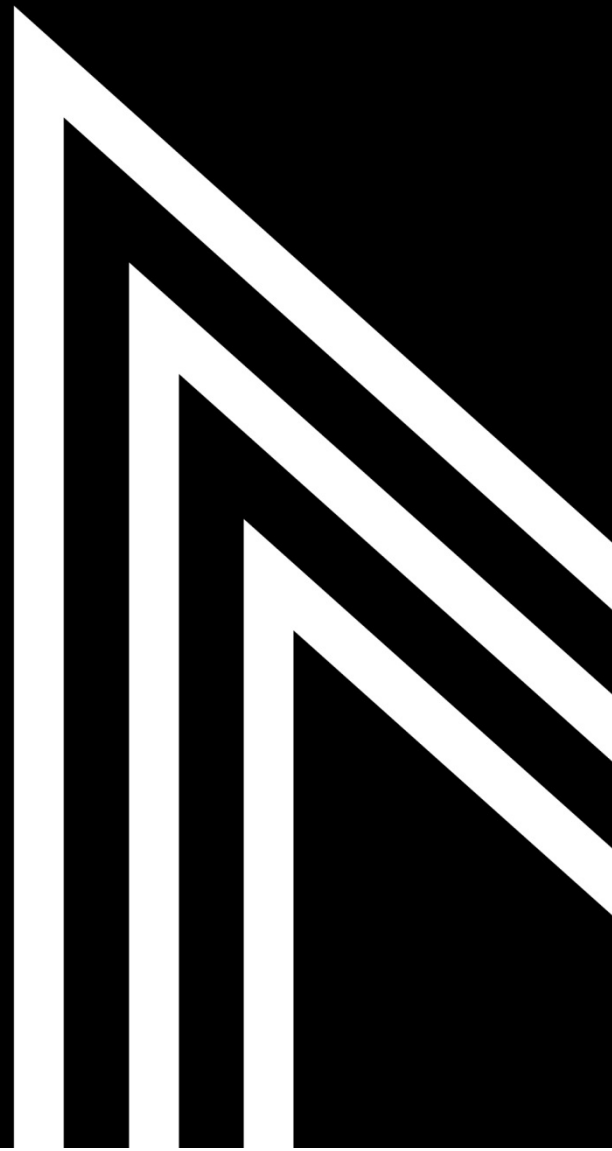
Marine & Civil Pty Ltd (In Liquidation)

ACN 147 854 635

1 October 2020



McGrathNicol



This remuneration approval report provides you with information to assist you to make an informed decision regarding the approval of our proposed remuneration for undertaking the liquidation of Marine & Civil Pty Ltd.

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1 Declaration

We, Rob Kirman and Rob Brauer of McGrathNicol, have undertaken a proper assessment of this remuneration claim for our appointment as Liquidators of Marine & Civil in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this matter.

We have reviewed the work in progress report for the liquidation to ensure that remuneration is only being claimed for necessary and properly performed work.

2 Executive Summary

To date, remuneration and internal disbursements, as set out in the table below, have been approved and paid in this administration.

Past approvals (ex GST)	Appointment type	Approved	Paid
Remuneration:			
Remuneration for the period from 10 July 2018 to 21 August 2018	Voluntary Administration	\$322,360	\$322,360
Remuneration for the period from 22 August 2018 to 31 March 2019	Liquidation	\$283,701	\$283,701
Remuneration for the period from 1 April 2019 to 27 September 2019	Liquidation	\$113,124	\$113,124
Remuneration for the period from 28 September 2019 to 28 July 2020	Liquidation	\$210,588	\$210,588
Total remuneration		\$929,773	\$929,773
Disbursements:			
Disbursements (with a profit element)		\$35	\$35
Disbursements (without a profit element)		\$6,383	\$6,383
Total disbursements		\$6,418	\$6,418
Total		\$936,191	\$936,191

This remuneration approval report details approval sought for the following remuneration:

Approvals sought	Report Reference	Amount (ex GST)
Remuneration		
Retrospective	3.1	\$59,297
Prospective*	3.2	\$150,000
Total remuneration		\$209,297
* Approval sought for future remuneration is based on an estimate of the work necessary for the period 26 September 2020 to 28 February 2021. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

Please refer to the report section references detailed in the above table for full details of the remuneration approval sought.

3 Remuneration

3.1 Retrospective remuneration

We will request that the following resolution be passed to approve our retrospective remuneration. Details to support this resolution are included further below.

Retrospective remuneration resolution(s)	Appointment Type	Amount (ex GST)
Resolution 1: 29 July 2020 – 25 September 2020	Liquidation	\$59,297
Total retrospective remuneration resolution		\$59,297

Resolution 1: from 29 July 2020 – 25 September 2020

“That the remuneration of the Liquidators for the period 29 July 2020 – 25 September 2020, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 12 July 2018, is determined in the sum of \$59,297 exclusive of GST.”

We will withdraw funds from the administration account in respect of the Liquidators’ remuneration immediately upon approval if funds are available. If funds are not available, we will withdraw funds progressively over time as funds become available. To the extent costs relate to FEG recoveries, these will be paid direct by FEG.

The below table sets out the time charged to each major task area by staff members working on the Liquidation for the period 29 July 2020 – 25 September 2020, which is the basis of Resolution 1, and relates to work incurred by the Liquidators (i) over and above that previously approved by creditors for the period to 31 July 2020, (ii) and from 1 August 2020 to 25 September 2020. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained further below.

Resolution 1: from 29 July 2020 to 25 September 2020

Resolution 1							Task Area									
Employee	Employee	Position	\$/hour (ex GST)	Total hours	Total \$	Creditors		Employees		Investigations		FEG recoveries		Administration		
						hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	
Rob Kirman	Rob Kirman	Appointee	630	18.70	9,387.00	0.7	441	1.2	756	12.9	8,127	3.8	2,793.00	0.1	63	
Mark Knight	Employee A	Director	540	25.10	12,258.00	4.9	2,646	0.9	486	15.2	8,208	2.4	1,524.00	1.7	918	
Chris Hopa	Employee B	Senior Manager	490	45.60	22,001.00	15.3	7,497	9.7	4,753	17.2	8,428	0.7	406.00	2.7	1,323	
Amber Andre	Employee C	Manager	460	4.20	1,932.00	-	-	4.2	1,932	-	-	-	-	-	-	
Trent Williams	Employee D	Senior Treasury Staff	420	0.20	84.00	-	-	-	-	-	-	-	-	0.2	84	
Jacob Flores	Employee E	Treasury Coordinator	380	2.40	912.00	-	-	-	-	-	-	-	-	2.4	912	
Andrea Palmer	Employee F	Treasury Coordinator	330	3.90	1,287.00	-	-	-	-	-	-	-	-	3.9	1,287	
Antoine Cleuet	Employee G	Accountant	300	35.40	10,620.00	6.6	1,980	15.6	4,680	3.5	1,050	-	-	9.7	2,910	
Elley Faul	Employee H	Administration	170	4.80	816.00	-	-	2.5	425	-	-	-	-	2.3	391	
	Total (ex GST)			140.30	59,297	27.5	12,564	34.1	13,032	48.8	25,813	6.9	4,723	23.0	7,888	
	Average hourly rate				423		457		382		529				343	

The below table sets out a detailed description of work undertaken on the liquidation for the period 29 July 2020 to 25 September 2020, which is the basis of Resolution 1.

Resolution 1: from 29 July 2020 to 25 September 2020

Task Area	General Description	Includes
Creditors 27.5 hours \$12,564	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries, and communicate progress updates on request Consider reasonableness of creditor requests (where relevant)
	Creditor reports	Prepare this Report to Creditors Prepare this Remuneration Report Revise listing of creditors and update mail addresses based on correspondence received Prepare mail labels for sending this Report to Creditors
	Proposals to Creditors	Prepare proposal notices and resolution forms
Employees 34.1 hours \$13,032	Employee queries	Receive and respond to employee creditor enquiries, as necessary
	Fair Entitlements Guarantee (FEG)	Correspond with FEG and obtain and review POD in respect of entitlements paid to relevant employees Advise FEG of the Liquidators' intention to declare and pay an interim dividend Review admitted claims and calculate dividend to FEG Pay dividend to FEG and notify FEG of payment
	Priority creditor dividend	Preparations for the declaration and advertisement of a second interim dividend to priority creditors Reconcile and calculate priority claims subject to second dividend, including allocation between amounts being paid to FEG and/or former employees direct Notify priority creditors of dividend and their expected payments Review admitted claims and calculate dividend to priority creditors, including tax treatment Pay dividend to priority creditors and notify creditors of payment

Task Area	General Description	Includes
Investigations 48.8 hours \$25,813	Conduct investigations	<p>Review company's books and records in support of identified liquidator claims and collate relevant materials</p> <p>Progress investigations into voidable transactions, including unfair preferences</p> <p>Perform running account analysis of trade creditors who may have received unfair preferences</p> <p>Obtain legal advice with respect to strength of claims in relation to unfair preferences, as well as detailed consideration of available defences</p>
	Recoveries	<p>Liaise with legal representatives in relation to legal strategy and ongoing progress of identified claims</p> <p>Pursue recovery of identified claims against creditors in relation to unfair preference payments, including multiple rounds of correspondence and liaising with respective legal representatives</p> <p>Refine strategy based on responses from unfair preference claim creditors and negotiate appropriate settlements where relevant, and for the benefit of creditors</p> <p>Finalise and settle ATO preference claim</p> <p>Collate various documents from books and records to support unfair preference claims</p> <p>Pursue recovery of claims via ongoing correspondence issued to the directors and former director of Marine & Civil in relation to insolvent trading, including preparation and issue of final demand letters</p> <p>Pursue recovery of claims via ongoing correspondence issued to the external corporate advisor of Marine & Civil in relation to the damages claim</p> <p>Briefing of legal advisors in relation to the development of liquidators claims as well as recovery strategies</p> <p>Correspond with FEG regarding merits of various claims in the liquidation and proposed legal strategy to recover</p> <p>Consider costs to prosecute legal strategy to recover claims and present funding estimate to FEG</p> <p>Obtain Court approval under section 477(2B) of the Corporations Act 2001 to enter into funding agreement with FEG</p> <p>Negotiate and execute funding agreement with FEG to pursue director and external advisor claims</p> <p>Negotiate and finalise a settlement with a former director in relation to insolvent trading, based on financial capacity to satisfy such a claim</p>

Task Area	General Description	Includes
FEG recoveries 6.9 hours \$4,723	External Advisor claims	Review correspondence in relation to external advisor claim Liaise with lawyers regarding the claim against external advisor, including overall strategy and next steps Preparation for and attend meeting with external advisor's insurer, including reviewing input from legal counsel Debrief with lawyers post meeting with external advisor's insurer and implementation of recovery strategy
	Insolvent Trading claims	Review correspondence from legal advisers as to the insolvent trading claims against the directors Review and determine claim strategy with legal advisors and counsel Review and approve letters demand letters to the directors Review draft Statements of Claim
	Reporting and administration	General correspondence with and updates to FEG Liaise with lawyers regarding fee reporting and advice requirements
Administration 23.0 hours \$7,888	Document maintenance/file review/checklist	Maintain physical and electronic engagement file, including legal claim correspondence and progress Update and maintain checklists and task lists on a regular basis
	Bank account administration	Perform periodic bank account reconciliations Prepare and authorise periodic payments as required Establish and/or terminate term deposit bank account as and when appropriate Enter receipts and payments into accounting system Recovery of bank guarantees from Main Roads WA and arrangements in relation to the recovery of funds held on deposit
	ATO and other statutory reporting	Prepare and account for periodic BAS' Notify ASIC of the Liquidators' interim dividend to priority creditors Periodic ASIC reporting as necessary
	Planning/Review	Develop and action ongoing strategy in relation to investigations and overall project management Discuss status of external administration and ongoing tasks and issues as required

Task Area	General Description	Includes
	Fee reporting	Monitor WIP and compare to cost estimates Request and review revised legal fee estimates and monitor legal costs and WIP

3.2 Prospective remuneration

We will request that the following resolution be passed to approve our prospective remuneration. Details to support this resolution are included further below.

Prospective remuneration resolution	Appointment Type	Amount (ex GST)
Resolution 2: 26 September 2020 – 28 February 2021	Liquidation	\$150,000
Total prospective remuneration resolution		\$150,000

Resolution 2: from 26 September 2020 – 28 February 2021

“That the future remuneration of the Liquidators from 26 September 2020 to 28 February 2021 is determined at a sum equal to the cost of time spent by the Liquidators and their partners and staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 12 July 2018, up to a capped amount of \$150,000, exclusive of GST.”

To the extent costs relate to FEG recoveries, these will be paid direct by FEG. We will withdraw funds from the administration account in respect of the balance of the Liquidators' remuneration progressively over time as funds become available and only once it is incurred. If actual costs incurred are below the capped amount, the Liquidators are only authorised to draw the amount incurred. If actual costs incurred exceed the amount approved, the Liquidators will seek further approval from creditors.

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the liquidation for the period 26 September 2020 to 28 February 2021, which is the basis of Resolution 2.

Resolution 2: from 26 September 2020 – 28 February 2021

Task Area	General Description	Includes
Creditors \$15,000	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries Consider reasonableness of creditor requests (where relevant) Obtain legal advice on requests from creditors for information, documents or a report (where relevant) Document reasons for complying or not complying with requests or directions (where relevant) Compile information requested by creditors
	Creditor reports	Finalisation and issue of Report to creditors and Remuneration Report Attend to creditor enquiries in relation to the reports issued
	Deal with proofs of debt (POD)	Receive PODs from claimants, and adjudicate as required

Task Area	General Description	Includes
	Proposals to Creditors	<p>Prepare proposal notices and voting forms</p> <p>Forward notice of proposal to all known creditors</p> <p>Review resolution forms and determine outcome of proposal</p> <p>Prepare and lodge proposal outcome with ASIC</p>
Employees \$10,000	Employee queries	Receive and respond to employee enquiries
	Fair Entitlements Guarantee (FEG)	Ongoing correspondence with FEG in relation to employee creditor claims and distributions as required
	Distribution	<p>Finalise payment of second interim distribution to priority creditors, including payment of taxation obligations to the ATO</p> <p>Assess ability to pay third interim distribution to priority creditors in due course</p>
Investigation \$25,000	Continue investigations	<p>Continued review company's books and records in support of identified claims</p> <p>Progress investigations into voidable transactions, including unfair preferences, and ongoing consideration of recovery strategy and actions</p>
	Recoveries	<p>Pursue recovery of identified claims against creditors in relation to unfair preference payments, including ongoing correspondence</p> <p>Liaise with legal representatives in relation to recovery strategy and ongoing progress of identified claims</p> <p>Attendance at mediation and/or settlement conferences, and conduct of court hearings as necessary</p> <p>Finalisation and settlement of the claim against the former director for insolvent trading</p>

Task Area	General Description	Includes
FEG Recoveries \$85,000	External Advisor claims	<p>Finalise and issue writ of summons and statement of claim (draft previously issued)</p> <p>Liaise with legal representatives in relation to recovery strategy, progress of claim and next step actions</p> <p>Review and approve all correspondence in relation to external advisor claim</p> <p>Pursue recovery against the external corporate advisor of Marine & Civil in relation to the damages claim, including legal proceedings and/or reaching commercial settlements (where relevant)</p> <p>Undertake document discovery process as necessary</p> <p>Attendance at mediation and/or settlement conferences, and court hearings as necessary</p>
	Insolvent Trading claims	<p>Finalise and issue writ of summons and statement of claim</p> <p>Liaise with legal representatives in relation to recovery strategy, progress of claim and next step actions</p> <p>Review and approve correspondence to Directors and relevant legal advisors</p> <p>Pursue recovery of claims against the directors of Marine & Civil in relation to insolvent trading, including consideration of commercial settlements (where relevant)</p> <p>Undertake document discovery process as necessary</p> <p>Attendance at mediation and/or settlement conferences, and court hearings as necessary</p>
	Reporting and administration	<p>Regular general correspondence and liaison with FEG</p> <p>Liaise with lawyers regarding fee reporting and advice requirements</p> <p>Provide regular status updates and reports to FEG in relation to the claims in which they have committed to fund</p>
Administration \$15,000	Document maintenance/file review/checklist	<p>Conduct file reviews as necessary</p> <p>Maintain physical and electronic engagement file</p> <p>Update checklists on a regular basis</p>

Task Area	General Description	Includes
	Bank account administration	Perform periodic bank account reconciliations Correspond with bank regarding funds held on term deposit Prepare and process periodic payments as required Review and approve payments to various stakeholders and suppliers
	ASIC forms	Prepare and lodge ASIC forms as required Correspond with ASIC regarding statutory forms as necessary
	ATO and other statutory reporting	Prepare and account for periodic BAS' and periodic reporting to ASIC as required Fulfil tax obligations with regard to priority dividends as necessary
	Planning/Review	Develop and action ongoing strategy in relation to investigations and legal recovery actions Discuss status of external administration and ongoing tasks and issues as required
	Books and records / storage	Deal with company records and discovery of documentation as necessary Maintain catalogue of company records in and out of external storage
Total - \$150,000		

3.3 Estimated future remuneration

In preparing this report, our prospective remuneration approval is our best estimate at what we believe the liquidation will cost up to 28 February 2021 in order to complete the tasks outlined in the summary in section 3.2 (i.e. pursuit of liquidator recoveries with potential court proceedings). If the liquidator claims identified warranting recovery action are defended and require substantive court proceedings, it is likely that the recoveries will take longer, and further costs will be incurred. Additionally, until the quantum of recoveries is known, the likelihood and quantum of further dividends to creditors is uncertain.

Accordingly, additional remuneration after 28 February 2021 will be required to completion of the Liquidation. The Liquidators will report again to creditors after 28 February 2021 regarding additional remuneration be sought.

3.4 Total remuneration reconciliation

At this point in time, we estimate that the total remuneration for the administration and liquidation of Marine & Civil may exceed \$1,139,070 (GST exclusive), as shown in the table below. This is subject to (i) the length and outcome of court proceedings in respect of the liquidator claims, and (ii) the resulting recoveries made and our ability to declare any subsequent dividends to creditors. These two factors may have a significant effect on this estimate.

Remuneration type	Amount (ex GST)	Amount (ex GST)
Past remuneration approved (refer to section 2)		\$929,773
Current remuneration approval being sought:		
Retrospective remuneration approval (refer to section 3.1)	\$59,297	
Prospective remuneration approval (refer to section 3.2)	\$150,000	
Total	\$209,297	\$1,139,070
Estimated future remuneration (refer to section 3.3)		Unknown
Estimated total remuneration		Unknown

Remuneration of \$929,773 (excluding GST), for the Administration and Liquidation of Marine & Civil to 29 July 2020 is in accordance with our previous Remuneration Approval Report dated 20 April 2020. Additional Liquidator remuneration will likely be required to completion of the liquidation.

The quantification of future fees will be dictated by the timeframe and extent of further legal recovery actions required to pursue and settle identified liquidator claims.

We have provided an explanation of the tasks that remain to be completed, including our estimated costs to complete those tasks, to support our current remuneration approval request, at section 3.2 of this report.

3.5 Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. An external administrator is entitled to be remunerated for necessary work that is properly performed. That work generates the funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the external administrator's remuneration is that the remuneration will then be paid provided sufficient funds are generated to enable it to be paid. The remuneration will be paid from those funds that are generated prior to the payment of most creditors in the external administration.

It is noted that funds would only be available to any stakeholder as a consequence of the work necessarily undertaken by the external administrator.

If a dividend or distribution is to be paid to stakeholders there is also necessary work that must be undertaken by the external administrator to properly adjudicate on claims and distribute any available funds.

3.6 Remuneration recovered from external sources

The Liquidators have not recovered any remuneration from external sources or received any indemnities or up-front payments.

4 Disbursements

External disbursements of \$120 have been incurred by the Liquidators since 15 April 2020 were paid in July 2020 (as reflected in the receipts and payments included in the report to creditors), along with other disbursements of \$3,297 (excluding GST) that were incurred from the period 19 October 2018 to 7 October 2019.

External disbursements are recovered at cost. Creditors are not required to approve these types of disbursements, but details are provided to account to creditors, including the basis of charging for these types of disbursements. Creditors are entitled to question the incurring of the disbursements and can challenge the disbursements in Court.

We have undertaken a proper assessment of disbursements claimed for the Liquidation, in accordance with the law and applicable professional standards and are satisfied that the disbursements claimed are necessary and proper.

5 Summary of receipts and payments

A summary of the receipts and payments for the liquidation for the period 15 April 2020 (since our last report to creditors) to 30 September 2020 is included in the report to creditors.

6 Queries

If you have any queries regarding the information in this report, please contact Antoine Cleuet on (08) 6363 7635.

You can also access information that may assist you on the following websites:

- ARITA at www.arita.com.au/creditors; and
- ASIC at www.asic.gov.au (search for "fees of insolvency practitioner").

Supporting documentation for our remuneration claim may be viewed if requested, provided sufficient notice is given.

Dated: 1 October 2020



Rob Kirman
Liquidator