
Remuneration Approval Report

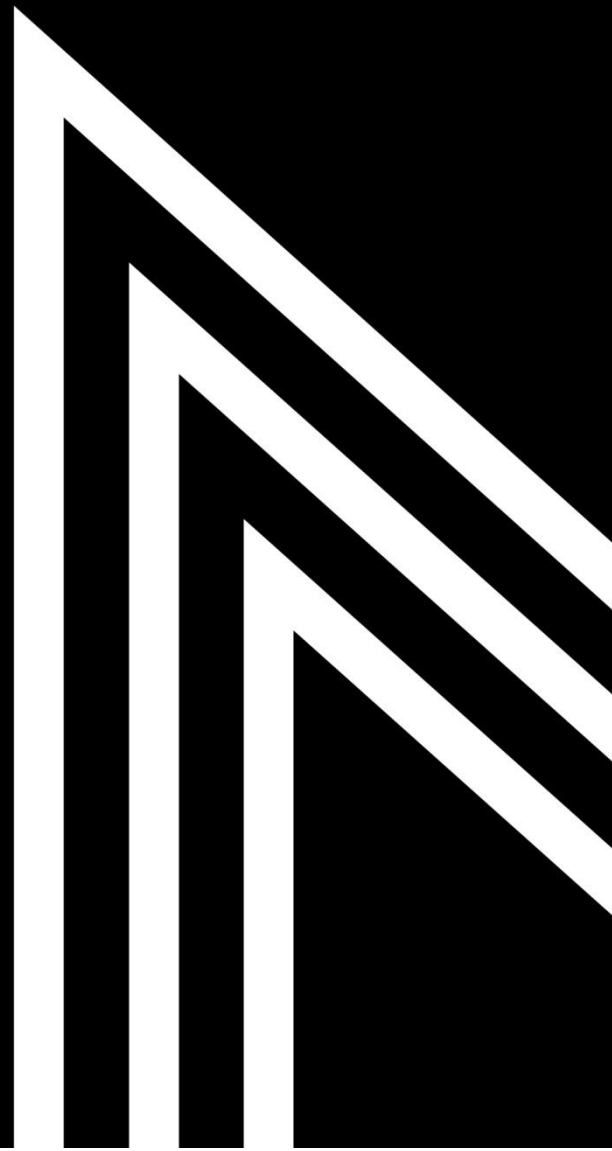
Marine & Civil Pty Ltd (In Liquidation)

ACN 147 854 635

8 October 2019



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.

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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.

2 Executive Summary

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

Past approvals (ex GST)	Approved (\$)	Paid (\$)
Voluntary Administrator's' remuneration for the period from 10 July 2018 to 21 August 2018	\$322,360.00	\$322,360.00
Liquidators' remuneration for the period from 22 August 2018 to 31 March 2019	\$283,701.00	\$281,279.00
Disbursements (with a profit element)	\$35.13	\$35.13
Disbursements (without a profit element)	\$2,955.77	\$2,955.77

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

Approvals sought	Report Reference	Amount (ex GST)
Remuneration		
Retrospective	3.1	\$113,124
Prospective*	3.2	\$80,000
Total remuneration		\$193,124
* Approval sought for future remuneration is based on an estimate of the work necessary for the period 28 September 2019 to 31 March 2020. 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 calculation and composition of the remuneration for which approval is 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: 1 April 2019 – 27 September 2019	Liquidation	\$113,124
Total retrospective remuneration resolution		\$113,124

Resolution 1: from 1 April 2019 to 27 September 2019

“That the remuneration of the Liquidators for the period 1 April 2019 to 27 September 2019, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 12 July 2018, is determined in the sum of \$113,124 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.

The table overleaf sets out the time charged to each major task area by staff members working on the Liquidation for the period 1 April 2019 to 27 September 2019, which is the basis of Resolution 1. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained in the pages following.

Resolution 1: from 1 April 2019 to 27 September 2019

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area											
					Assets		Creditors		Employees		Trade on		Investigation		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	Hrs	\$ ex GST
Rob Kirman	Appointee	630	24.5	15,435	0.80	504	1.60	1,008.00	1.80	1,134	0.30	189.00	19.30	12,159	0.70	441
Employee A	Director Professional Practic	580	0.9	522	-	-	-	-	0.90	522	-	-	-	-	-	-
Employee B	Director	540	0.7	378	-	-	-	-	-	-	-	-	0.70	378	-	-
Employee C	Director	540	64.7	34,938	1.00	540	22.20	11,988	7.40	3,996	-	-	31.10	16,794	3.00	1,620
Employee D	Senior Manager	490	45.8	22,442	1.70	833	1.40	686	0.80	392	0.80	392.00	37.70	18,473	3.40	1,666
Employee E	Senior Manager	490	7.2	3,528	-	-	-	-	-	-	-	-	7.20	3,528	-	-
Employee F	Manager 1	460	19.0	8,740	-	-	0.30	138	4.10	1,886	1.00	460.00	7.20	3,312	6.40	2,944
Employee G	Assistant Manager	420	39.6	16,632	3.90	1,638	5.80	2,436	5.40	2,268	3.30	1,386.00	6.60	2,772	14.60	6,132
Employee H	Treasury Ops Manager	420	0.5	210	-	-	-	-	-	-	-	-	0.50	210	-	-
Employee I	Senior Analyst	380	0.5	190	-	-	-	-	-	-	-	-	-	-	0.50	190
Employee J	Treasury Administrator	330	4.7	1,551	-	-	-	-	0.70	231	-	-	-	-	4.00	1,320
Employee K	Treasury Coordinator	330	0.3	99	-	-	-	-	-	-	-	-	-	-	0.30	99
Employee L	Accountant	300	25.4	7,620	-	-	1.20	360	10.00	3,000	2.70	810.00	-	-	11.50	3,450
Employee M	Accountant	300	0.2	60	-	-	-	-	-	-	-	-	0.20	60	-	-
Employee N	Undergraduate 1	180	3.1	558	-	-	-	-	-	-	-	-	0.90	162.00	2.20	396
Employee O	Team Assistant	170	0.1	17	-	-	-	-	-	-	-	-	-	-	0.10	17
Employee P	Team Assistant	170	1.2	204	-	-	-	-	-	-	-	-	-	-	1.20	204
Total (ex GST)			238	113,124	7.40	3,515	32.50	16,616	31.10	13,429	8.10	3,237	111.40	57,848	47.90	18,479
Average hourly rate				475		475		511		432		400		519		386

The below table sets out a detailed description of work undertaken on the Liquidation for the period 1 April 2019 to 27 September 2019, which is the basis of Resolution 1.

Resolution 1: from 1 April 2019 to 27 September 2019

Task Area	General Description	Includes
Assets 7.4 Hours \$3,515	Retentions	Correspond with holders of retentions in relation to cost deductions, reconciliation and release of monies Correspond with holders of bank guarantees
	Other Assets	Investigate the position regarding third party shareholdings and determination of any underlying value Various correspondence to related parties in relation to loan accounts outstanding
Creditors 32.5 Hours \$16,616	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries Consider reasonableness of creditor requests
	Creditor reports	Prepare draft of Report to creditors, Remuneration Report and other associated notices
Employees 31.1 Hours \$13,429	Employee queries	Receive employee enquiries Prepare correspondence in response to employee's queries as to entitlements
	Fair Entitlements Guarantee (FEG)	Correspond with FEG in relation to employee claims Finalisation of verification work Respond to FEG queries in relation to the progress of the liquidation and proposed dividend distribution(s)
	PAYG Summaries	Prepare and issue PAYG summaries for the period of the Administrators' appointment Prepare and issue PAYG summaries for the period of the Liquidators' appointment
	Calculation of entitlements	Reconcile superannuation accounts and calculate amounts owed Prepare and lodge Superannuation Guarantee Statements with the Australian Taxation Office (ATO) to register outstanding claims for superannuation
Trade On 8.10 Hours \$3,237	Trade On Management	Liaise with suppliers to close all purchase orders from the trading period, and finalise all accounts
	Process receipts and payments	Enter receipts and payments into accounting system

Task Area	General Description	Includes
Investigations 111.4 Hours \$57,848	Conduct investigations	<p>Review company's books and records, including the company's accounting system and IT image</p> <p>Prepare and issue document production orders to the directors, former director and third parties</p> <p>Review and consider documents received and liaise with various parties in relation to the documents produced and enquiries as to further documentation</p> <p>Formulate and quantify insolvent trading claims against directors and former director. Formulate and quantify a damages claim against the external corporate advisor of Marine & Civil</p> <p>Liaise with legal advisors in relation to the identified claims and their legal merit</p> <p>Investigate the commerciality of the identified claims and capacity of prospective defendants</p> <p>Extensive investigations into the company's purported funding transaction and related correspondence with various associated entities, local and overseas</p> <p>General investigation into the affairs of the company prior to the appointment of the Administrators</p>
	Examinations	<p>Prepare brief and attend meetings with lawyers and counsel in preparation of public examinations</p> <p>Attend at examination of directors, former director and external advisor</p> <p>Review examination transcripts</p> <p>Liaise with lawyers regarding outcome of examinations and further actions available</p>
	Recoveries	<p>Prepare and issue demand letters to directors, former director and external adviser (including supporting analysis in relation to identified claims)</p> <p>Liaise with legal advisors in relation to legal claims and recovery strategy</p>
	ASIC reporting	<p>Prepare and lodge ASIC forms</p> <p>Correspond with ASIC regarding statutory forms</p>
Administration 47.9 Hours \$18,479	Document maintenance/file review/checklist	<p>Maintain physical and electronic engagement file</p> <p>Update checklists</p>
	Bank account administration	<p>Perform periodic bank account reconciliations</p> <p>Correspond with bank regarding funds held in term deposit</p> <p>Process periodic payments as required</p>

Task Area	General Description	Includes
	ASIC forms	Prepare and lodge ASIC forms Correspond with ASIC regarding statutory forms and lodgements
	ATO and other statutory reporting	Prepare and account for periodic BAS'
	Planning/Review	Develop and action ongoing strategy in relation to investigations Discuss status of external administration and ongoing issues as required
	Books and records / storage	Deal with company records and discovery of documentation as necessary

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(s)	Appointment Type	Amount (ex GST)
Resolution 2: 28 September 2019 – 31 March 2020	Liquidation	\$80,000
Total Prospective remuneration resolution		\$80,000

Resolution 2: from 28 September 2019 to 31 March 2020

"That the future remuneration of the Liquidators from 28 September 2019 to 31 March 2020 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 \$80,000 exclusive of GST."

We will withdraw funds from the administration account in respect 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 Liquidators for the period 28 September 2019 to 31 March 2019, which is the basis of Resolution 2.

Resolution 2: from 28 September 2019 to 31 March 2020

Task Area	General Description	Includes
Assets \$5,000	Retentions	Correspond with remaining holders of retentions in relation to cost deductions, reconciliation and release of monies Correspond with holders of bank guarantees and any possibility these can be recovered
Creditors \$8,000	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 of Report to creditors, Remuneration Report and associated creditor enquiries
	Deal with proofs of debt (POD)	Receive PODs from claimants, and adjudicate as required
	Proposals to Creditors	Prepare proposal notices and voting forms Forward notice of proposal to all known creditors Review votes and determine outcome of proposal Prepare and lodge proposal outcome with ASIC
Employees \$3,000	Employee queries	Receive and respond to employee enquiries Review and confirm employee entitlement calculations as required and prepare for priority dividend
	Fair Entitlements Guarantee (FEG)	Correspond with FEG (where relevant)
Investigation \$44,000	Conduct investigations	Review company's books and records in support of identified claims Progress investigations into voidable transactions, including unfair preferences, and progress to a point of potential recovery action

Task Area	General Description	Includes
	Recoveries	<p>Pursue recovery of claims issued to the directors and former director of Marine & Civil in relation to insolvent trading, including consideration of commercial settlements (where relevant)</p> <p>Pursue recovery of claims issued to the corporate advisor of Marine & Civil in relation to the damages claim, including issuing legal proceedings and / or reaching commercial settlements (where relevant)</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 court hearings, as necessary</p>
Dividend \$10,000	Process proofs of debt	<p>Prepare correspondence to potential creditors inviting lodgement of POD</p> <p>Receive and adjudicate PODs</p> <p>Maintain POD register</p> <p>Correspond with claimants regarding PODs and supporting documentation</p>
	Dividend procedures	<p>Correspond with priority creditors regarding the proposed interim dividend</p> <p>Receive and adjudicate PODs</p> <p>Advertise intention to declare interim dividend</p> <p>Calculate and pay interim dividend</p>
Administration \$10,000	Document maintenance/file review/checklist	<p>Conduct file reviews</p> <p>Maintain physical and electronic engagement file</p> <p>Update checklists</p>
	Bank account administration	<p>Perform periodic bank account reconciliations</p> <p>Correspond with bank regarding funds held on term deposit</p> <p>Prepare periodic payments as required</p>
	ASIC forms	<p>Prepare and lodge ASIC forms</p> <p>Correspond with ASIC regarding statutory forms</p> <p>Prepare and lodge report to ASIC under section 533 of the Corporations Act 2001</p>
	ATO and other statutory reporting	<p>Prepare and account for periodic BAS'</p>
	Planning/Review	<p>Develop and action ongoing strategy in relation to investigations</p> <p>Discuss status of external administration and ongoing issues as required</p>
	Books and records / storage	<p>Deal with company records and discovery of documentation as necessary</p>

Task Area	General Description	Includes
Total		
\$80,000		

3.3 Estimated future remuneration

In preparing this report, our prospective remuneration approval is our best estimate of what we believe the Liquidation will cost up to 31 March 2020 in order to complete the tasks outlined in the summary in section 3.2 (i.e. realisation of remaining assets, pursuit of liquidator recoveries (without substantial court proceedings) and an interim dividend to priority creditors). If the liquidator claims identified warranting recovery action are defended and require 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 31 March 2020 may be required to completion of the Liquidation. The Liquidators will report again to creditors after 31 March 2020 should any additional remuneration be sought.

3.4 Total remuneration reconciliation

At this point in time we estimate that the total remuneration for the Liquidation may exceed \$799,528 (GST exclusive), as shown in the table below. This is subject to (i) our requirement to commence and sustain 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)		\$606,404.20
Current remuneration approval being sought:		
Retrospective remuneration approval (refer to section 3.1)	\$113,124	
Prospective remuneration approval (refer to section 3.2)	\$80,000	\$193,124
Estimated future remuneration (refer to section 3.3)		Unknown
Estimated total remuneration		Unknown

Remuneration of \$606,404.20 (excluding GST), for the Administration and Liquidation of Marine & Civil to 31 March 2019 is in accordance with our previous Remuneration Approval Report dated 21 November 2018. Additional Liquidator remuneration will likely be required to completion of the liquidation. The quantification of future fees will be dictated by the timeframe and extend of Court Proceedings 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

Disbursements are paid for by McGrathNicol and are recovered from the Liquidation bank account.

Disbursements are divided into two types:

- External disbursements- these are recovered at cost. Examples are travel, accommodation, postage, advertising, couriers and search fees.
- Internal disbursements – these disbursements are charged at a rate which recoups both fixed and variable costs and may include an element of profit or advantage to the External Administrator or a related party of the External Administrator. Examples are printing and data storage. The recovery of these costs must be on a reasonable commercial basis. Details of the basis of recovery of each of these costs is discussed below.

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

4.1 External disbursements

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.

The following external disbursements have been paid by McGrathNicol and relate to the Liquidation. These amounts will be reimbursed to McGrathNicol at cost from the Liquidation bank account:

External disbursements at cost for the period 1 April 2019 to 27 September 2019	Amount (\$) (GST exclusive)
Postage	\$172.69
Stationery and other incidental disbursements	\$55.97
Searches	\$718.41
Staff vehicle use (\$0.68 per km)*	\$51.68
Postage	\$172.69
Total	\$998.75

* These rates are deemed reasonable by the Australian Taxation Office.

5 Summary of receipts and payments

A summary of the receipts and payments for the Liquidation and Administration for the period 10 July 2018 to 27 September 2019 is included in the report to creditors.

6 Queries

If you have any queries regarding the information in this report, please contact Amber Andre on (080) 6363 7665.

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

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

Dated: 8 October 2019



Rob Kirman
Liquidator