

Remuneration Approval Report

Renbec Pty Ltd (In Liquidation)

ACN 092 718 557

(Renbec)

1 April 2022



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 Renbec.

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1 Executive Summary

This remuneration approval report provides creditors with an update on the actual work performed by the Liquidators of Renbec and estimated future work which is expected to be required to finalise the Liquidation.

We estimate that the total cost of this Liquidation will be \$491,282. This has increased from my previous estimate because of the following reasons:

- The extent of the investigations required to (i) identify contraventions of the Act, (ii) understand and trace historical transactions in relation to the transfer of vessels to related and unrelated parties, (iii) locate the whereabouts of company assets and assess potential recovery actions available to the Liquidators for the benefit of creditors, and (iv) report to ASIC was more than previously estimated.
- The Liquidators' investigations identified a number of uncommercial transactions that required assessment as to their commerciality and potential recoverability for the benefit of creditors.
- The Liquidators conducted multiple public examinations and a document production order process, not previously contemplated.
- The Liquidators commenced legal action against related parties to recover the marine vessel known as Black Label (**Black Label Claim**), which included but was not limited to:
 - reviewing the books and records of Renbec in detail to understand its affairs and financial position;
 - corresponding with third parties to obtain additional information in support of the Black Label Claim;
 - liaising with Renbec's secured creditor to assist with the cost of pursuing the Black Label Claim;
 - develop and execute legal strategy based on available information in relation to Black Label Claim;
 - preparing and lodging the writ of summons with the Court;
 - attendance at informal and Court-assisted mediation;
 - ultimately recovering, securing and preserving Black Label; and
 - managing and overseeing the realisation of Black Label, accounting for proceeds and reporting to stakeholders, pursuant to the Court mediated agreement.
- The Liquidators have identified a material claim against the External Advisor (refer to section 4.4 of the Liquidators' report for further information) (**External Advisor Claim**). In summary, the External Advisor Claim has and/or will require the Liquidators to:
 - liaise with their legal advisors to understand and assess the External Advisor Claim, including prospects of a successful recovery for the benefit of creditors;
 - liaise with the ATO to secure funding support, and ongoing reporting to the ATO in relation to the External Advisor Claim;
 - review and catalogue a significant quantity of documents obtained from company records, the document production process and the ATO;
 - prepare and issue letters of demand and offers of settlement in a genuine attempt to commercially resolve the claim against the External Advisor;
 - prepare and file a statement of claim with the Court; and
 - attend Court-assisted mediation, facilitate and participate in document discovery, and progress a legal trial (if required).

The Liquidators note that, except for remuneration funded by the ATO pursuant to the Deed of Indemnity, payment of remuneration is dependent on the success of recovering the External Advisor Claim. Accordingly, in the absence of a successful recovery of the External Advisor Claim, the Liquidators' remuneration will largely remain unpaid.

We do not anticipate requiring further approvals at this stage, however, there is some uncertainty with regard to litigation on foot and the time and cost required to be incurred by the Liquidators to progress the litigation to a conclusion. We will write to creditors separately should further remuneration approval be required.

2 Declaration

We, Rob Kirman and Rob Brauer of McGrathNicol, have undertaken a proper assessment of this remuneration claim 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 completed by the Liquidators, and their staff to ensure that remuneration is only being claimed for necessary and proper work performed and have written of items totalling \$7,066 relating to items which we assessed to be due to inefficiencies and rework that did not meet our strict interpretation of necessary and proper work.

3 Remuneration sought

The additional remuneration we are asking creditors to approve is set out in the table below. Further details of the work already completed (circa 4 year period) and expected to be done are included at Schedule A. A breakdown of actual time spent by the appointees and their staff members is set out at Schedule B.

Proposal	Remuneration for	For	Report Ref	Period	Amount (ex GST)
Proposal 1	Liquidation	Work already done	3.1	4 Jun-18 to 25 Mar-22	\$201,249
Proposal 2	Liquidation	Future work	3.2	26 Mar-22 to completion	\$150,000
Total					\$351,249

All work undertaken, or expected to be undertaken, has been calculated in accordance with the rates provided in our Initial Remuneration Notice sent to creditors on 13 April 2018. Drawing of all remuneration is at the discretion of the Liquidators and is subject to approval by creditors, funds being available, and the work actually being undertaken.

Creditors are being asked to consider the following resolutions which also appear in the proposal forms provided to you.

Work already done: from 4 June 2018 to 25 March 2022

"That the remuneration of the Liquidators for the period 4 June 2018 to 25 March 2022, calculated at hourly rates as detailed in the Initial Remuneration Notice dated 13 April 2018, is determined in the sum of \$201,249, exclusive of GST."

Future work: from 26 March 2022 to completion

"That the future remuneration of the Liquidators from 26 March 2022 to completion 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 13 April 2018, up to a capped amount of \$150,000, exclusive of GST."

4 Previous remuneration approval

We are asking creditors to approve our current and future remuneration of \$351,249 (excluding GST). Per the below table, creditors have previously approved remuneration totalling \$140,033.

Remuneration	For	Report Ref	Amount (ex GST)	Amount paid (ex GST)
Approved and paid				
Liquidation	Work already done		\$55,033	\$31,330
Liquidation	Future work		\$85,000	\$85,000
Subtotal			\$140,033	\$116,330
Approvals sought				
Liquidation	Work already done	3.0	\$201,249	-
Liquidation	Future work	3.0	\$150,000	-
Subtotal			\$351,249	-
Total			\$491,282	\$116,330

We are now seeking approval of a further \$351,249 (excluding GST) in remuneration, which will bring total remuneration claimed in this appointment to \$491,282 (excluding GST). A full explanation of tasks performed and tasks to complete the Liquidation are included at Schedule A.

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.

6 Summary of receipts and payments

A summary of the receipts and payments for the Liquidation for the period 14 March 2018 to 25 March 2022 is included at Schedule C to this report.

An annual administration return was lodged with ASIC on 28 March 2022, which also provides information on the conduct of the administration.

7 Queries

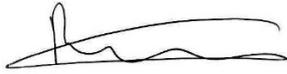
If you have any queries regarding the information in this report, please contact Antoine Cleuet on (08) 6363 7635.

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

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "INFO 85").

Further supporting documentation for our remuneration claim can be provided to creditors on request.

Dated: 1 April 2022



Rob Kirman
Liquidator

Attachments:

Schedule A – Details of work

Schedule B – Time spent by staff on each major task

Schedule C – Disbursements

Schedule D – Summary of receipts and payments

Schedule A – Details of work

		Work already done
Period	4 June 2018 to 25 March 2022	
Amount (ex GST)	\$201,249	
Task Area	General Description	Tasks
Assets 62.4 hours \$30,513	Plant and Equipment and realisation – Black Label	<ul style="list-style-type: none"> ▪ Secure and inspect Black Label with assistance from the Liquidators' marine broker ▪ Liaise with insurance broker in relation to the preservation of Black Label ▪ Engage with and instruct valuer and review valuation report ▪ Review marine broker proposals and engage marine broker to realise Black Label ▪ Liaise with marine broker and/or interested parties throughout sale campaign ▪ Review offers to purchase Black Label and liaise with broker in relation to negotiation of terms ▪ Document sale of Black Label including the Liquidators' terms and conditions ▪ Calculate distribution of settlement proceeds, review settlement documentation and attend to settlement matters ▪ Attend to removal of PPSR registrations ▪ Finalise settlement and liaise with CBA and other relevant stakeholders in relation to net proceeds
Creditors 87.5 hours \$35,885	Creditor Enquiries, Requests & Directions	<ul style="list-style-type: none"> ▪ Receive and respond to creditor enquiries as required ▪ Maintain creditor request log ▪ Review books and records and collate relevant information to comply with multiple requests
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Liaise with CBA in relation to the conduct of the liquidation, including the outcome of investigations and recoveries available to the Liquidators ▪ Discuss funding arrangements in relation to marine vessels subject of investigations and commerciality of recovery actions for the benefit of creditors ▪ Document funding arrangements in relation to vessel recovery processes ▪ Provide CBA with updates in relation to assets subject of CBA's security and commerciality of further actions, including in relation to Black Label ▪ Attend to payment of interim dividend to CBA
	Creditor Reporting	<ul style="list-style-type: none"> ▪ Finalise and lodge Statutory Report to Creditors and accompanying annexures ▪ Prepare current Report to Creditors and accompanying annexures ▪ Review work in progress for the purpose of preparing the Remuneration Approval Report ▪ Prepare Remuneration Approval Report and accompanying information and documents ▪ Prepare proposal notices and voting forms ▪ Forward notice of proposals to all known creditors of Renbec ▪ Upload Report to Creditors to the McGrathNicol website

<p>Investigation 257.3 hours \$113,867</p>	<p>Conduct investigations and reports to ASIC</p>	<ul style="list-style-type: none"> ▪ Review company's books and records to identify potential liquidator recoveries ▪ Prepare comparative financial statements to assess date of insolvency ▪ Calculate potential insolvent trading claim against the director ▪ Review specific transactions and liaise with directors regarding relevant transactions ▪ Conduct investigations into potential Liquidator recovery actions, including but not limited to: <ul style="list-style-type: none"> – review of ownership documentation and liaising with the Department of Transport; – review of historical correspondence (including emails) from third parties and External Advisor in relation to company assets; – review of historical asset purchase agreements and funding arrangements documents with financiers; – review of bank statements; and – review of security interests. ▪ Report findings to ASIC pursuant to section 533 of the Act ▪ Attend to preparation and lodgement of Supplementary Report as requested by ASIC ▪ Liaise with ASIC in relation to the Supplementary Report, including its progress, funding and findings ▪ Liaise with legal advisors in relation to the outcome of investigations and proposed strategy ▪ Answer queries and provide further information and documents to ASIC upon request
	<p>Examinations of director, Judith Hawes, External Advisor and director of Malaga Properties Pty Ltd.</p>	<ul style="list-style-type: none"> ▪ Prepare brief to legal advisors and liaise with regard to the contents of the brief as required ▪ Instruct legal advisors in relation to claim preparations and filing ▪ Attend to conferral between parties as required ▪ Review and prepare affidavit material in relation to public examinations ▪ Attend to swearing of affidavit and lodge with the Court ▪ Review document production orders, and catalogue documents ▪ Review and prepare supplementary affidavit in relation to the proceedings ▪ Attend examinations ▪ Review examination transcripts ▪ Liaise with legal advisors regarding outcome of examinations and further actions available ▪ Review and prepare affidavit in relation to securing Court's approval to enter into funding arrangements
	<p>Black Label Claim</p>	<ul style="list-style-type: none"> ▪ Review evidence and liaise with legal advisors in relation to the Liquidators' claim against Black Label ▪ Prepare and issue formal demand letter in relation to Black Label and its delivery up ▪ Attend informal conferral meeting between relevant parties with regard to a commercial settlement ▪ Prepare and finalise writ of summons and amended writ of summons (in conjunction with legal advisers) and instruct legal advisors to file with the Court ▪ Discuss status of litigation with legal advisors ▪ Liaise with director in relation to Black Label Claim ▪ Prepare for and attend Court assisted mediation and negotiate settlement

		<ul style="list-style-type: none"> ▪ Document terms of settlement of the Black Label claim and liaise with relevant parties to finalise and execute settlement document
	External Advisor Claim	<ul style="list-style-type: none"> ▪ Liaise with the ATO in relation to the findings of the Liquidators' investigations and in respect of the External Advisor Claim ▪ Prepare and issue document requests to the ATO and review and catalogue documents provided by the ATO ▪ Review company records and imaged computer records to support the External Advisor Claim ▪ Review documents obtained via document production orders and public examinations transcripts relevant to the External Advisor Claim ▪ Review and instruct legal advisors to issue demands for the External Advisor Claim ▪ Prepare and issue a detailed funding request for the ATO, supported by a strategy ▪ Review the ATO's Deed of Indemnity and attend to execution ▪ Liaise with CBA in relation to security status with regard to potential claim recoveries and priority waterfall ▪ Prepare and finalise Statement of Claim (in conjunction with legal advisors) and file with the Court ▪ Track costs in relation to the ATO's Deed of Indemnity and liaise and/or report to the ATO on a regular basis
Administration 65.6 hours \$20,984	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Conduct regular file reviews ▪ Maintain physical and electronic engagement file ▪ Update internal checklists
	Bank account administration	<ul style="list-style-type: none"> ▪ Perform monthly bank account reconciliations ▪ Prepare and review payments in banking platform
	ASIC forms	<ul style="list-style-type: none"> ▪ Prepare and lodge various ASIC forms relevant to the Liquidators obligations pursuant to the Act, and correspond with ASIC in relation to the same ▪ Correspond with ASIC regarding statutory forms and lodgements, including reports pursuant to s533 of the Act
	ATO and other statutory reporting	<ul style="list-style-type: none"> ▪ Prepare monthly BAS ▪ Reconcile BAS account
	Planning/Review	<ul style="list-style-type: none"> ▪ Regular discussions among project team regarding status of external administration and key deliverables ▪ Prepare and review rolling task lists in support of strategy execution
	Books and records/storage	<ul style="list-style-type: none"> ▪ Review of company books and records ▪ Deal with records in storage, including electronic data image, in support of investigations and claim recoveries

		Future work
Period		26 March 2022 to completion
Amount (ex GST)		\$150,000
Task Area	General Description	Tasks
Creditors \$30,000	Creditor Enquiries, Requests & Directions (if required)	<ul style="list-style-type: none"> ▪ Receive and respond to creditor enquiries ▪ Maintain creditor request log ▪ Consider reasonableness of creditor requests ▪ Compile information requested by creditors
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Prepare updates to CBA in relation to the External Advisor Claim and any subsequent distributions
	Deal with proofs of debt (POD)	<ul style="list-style-type: none"> ▪ Receive PODs from claimants ▪ Review POD and underlying information and liaise with creditors as necessary ▪ Enter POD into liquidation accounting system ▪ Adjudicate on POD where appropriate
	Distributions	<ul style="list-style-type: none"> ▪ Liaise with creditors in relation to the prospect of a distribution in the liquidation ▪ Declare and pay creditor distributions in accordance with the Act should External Advisor Claim recoveries suffice to do so
	Proposals to Creditors	<ul style="list-style-type: none"> ▪ Finalise and issue Creditors Report (Including Remuneration Report) and circular resolution proposals ▪ Review votes and determine outcome of proposal ▪ Prepare and lodge proposal outcome documents with ASIC
Investigation \$100,000	External Advisor Claim	<ul style="list-style-type: none"> ▪ Continuous liaison with legal advisors in relation to status of litigation and recovery strategy ▪ Attend to ongoing conferral between the parties ▪ Review defence and/or counterclaim filed by Defendant(s) and respond accordingly ▪ Prepare and file affidavits and evidence as necessary to progress/pursue claim ▪ Review any additional evidence filed in relation to the External Advisor Claim ▪ Prepare and file detailed legal submissions as necessary ▪ Prepare for and attend hearings and mediation as and when necessary ▪ Prepare for and conduct legal trail in relation to the External Advisor Claim, if necessary ▪ Prepare for and attend to settlement matters ▪ Prepare and issue updates to the ATO in relation to status of the External Advisor Claim, and liaise with ATO representatives on a regular basis
Administration \$20,000	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Conduct six monthly file reviews ▪ Maintain physical and electronic engagement file ▪ Update checklists
	Bank account administration	<ul style="list-style-type: none"> ▪ Request bank statements as required ▪ Perform bank account reconciliations ▪ Approve payments in the banking platform and maintain liquidation accounting system
	ASIC forms	<ul style="list-style-type: none"> ▪ Prepare and lodge ASIC forms ▪ Correspond with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> ▪ Preparation of periodic BAS' ▪ Reconcile BAS account

		<ul style="list-style-type: none"> ▪ Undertake periodic ASIC returns and reporting
	Finalisation	<ul style="list-style-type: none"> ▪ Notify statutory authorities of ceasing to act, including the ATO and ASIC ▪ Cancel ABN/GST/PAYG registration ▪ Complete finalisation checklists and retirement processes
	Planning/Review	<ul style="list-style-type: none"> ▪ Regularly discuss status of external administration and ongoing tasks in fulfilling statutory obligations
	Books and records/storage	<ul style="list-style-type: none"> ▪ Deal with records in storage, including electronic image of company records ▪ Maintain company records and liaise with ASIC in relation to final destruction post liquidation completion

Schedule B – Time spent by staff on each major task (work already done)

Resolution 1: from 4 June 2018 to 25 March 2022

Renbec Pty Ltd (In Liquidation) - Liquidators' fees for the period 4 June 2018 to 25 March 2022												
Employee	Position	Rate	Assets		Creditors		Investigations		Statutory & Administration		Total	
			Hrs	Fees (\$)	Hrs	Fees (\$)	Hrs	Fees (\$)	Hrs	Fees (\$)	Hrs	Fees (\$)
Rob Kirman	Partner	610	6.9	4,209	1.3	793	27.9	17,019	-	-	36.1	22,021
Employee A	Director	520	44.5	23,140	25.8	13,416	82.4	42,848	3.7	1,924	156.4	81,328
Employee B	Practice Services Director	560	-	-	-	-	4.2	2,352	-	-	4.2	2,352
Employee C	Senior Manager	480	0.1	48	10.4	4,992	29.9	14,352	4.3	2,064	44.7	21,456
Employee D	Manager	450	3.0	1,350	11.1	4,995	10.5	4,725	5.6	2,520	30.2	13,590
Employee E	Assistant Manager	410	0.6	246	1.4	574	44.6	18,286	2.2	902	48.8	20,008
Employee F	Senior Treasury Staff	370	-	-	-	-	-	-	0.3	111	0.3	111
Employee G	Senior Accountant	370	0.1	37	20.6	7,622	17.3	6,401	8.9	3,293	46.9	17,353
Employee H	Accountant	290	1.7	493	4.1	1,189	5.4	1,566	13.4	3,886	24.6	7,134
Employee I	Treasury Coordinator	290	-	-	-	-	-	-	12.8	3,712	12.8	3,712
Employee J	Administration	160	-	-	-	-	-	-	1.0	160	1.0	160
Employee K	Undergraduate Accountant	180	5.5	990	12.8	2,304	35.1	6,318	13.4	2,412	66.8	12,024
Total fees (inclusive of write-offs and excluding GST)			62.4	30,513	87.5	35,885	257.3	113,867	65.6	20,984	472.8	201,249

Schedule C – Disbursements

Costs paid to third parties

Costs paid to third parties are recovered at cost. Creditors are not required to approve these types of costs, but details are provided to account to creditors, including the basis of charging for these types of costs. Creditors are entitled to question the incurring of the costs and can challenge the costs in Court. The following costs have been paid by McGrathNicol to third parties and relate to the Liquidation. These amounts will be reimbursed to McGrathNicol at cost from the Liquidation bank account:

Costs paid to third parties for the period 14 March 2018 to 25 March 2022	Amount (\$) (GST exclusive)
Document storage costs	\$103.02
Searches of public registers	\$543.79
ASIC charges	\$446.30
Total	\$1,093.11

Future costs provided by McGrathNicol will be charged to the external administration on the following basis:

Cost type	Rate (GST exclusive)
Postage	At cost
Stationery and other incidental disbursements	At cost
Conference call phone charges	At cost
Searches	At cost
Advertising	At cost
Courier	At cost
Staff per diem travel allowance*	\$89.00 per day**
Staff vehicle use	\$0.72 per km**
ASIC user pays levy***	At cost

* Payable when partners or staff are required for business purposes to stay away from their usual place of residence overnight.

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

*** This levy is charged by ASIC and is based on the number of notifiable events in a financial year directly related to this Liquidation. Notifiable events include notices published on ASIC's published notices website and some documents lodged with ASIC.

Further explanation of data hosting costs

In the conduct of this Liquidation, we may use McGrathNicol's Forensic Technology team to extract, aggregate, electronically process and/or host electronic data, which could be used for ongoing investigations regarding transactions or potential recoveries available to creditors.

If data hosting is required and we choose not to use the services of McGrathNicol's Forensic Technology team, we will otherwise have to purchase those services from an alternative provider and/or use another method to achieve the same end, which will not be as efficient as using these available internal services. We note that the data hosting rates above are no more than our standard commercial pricing available for the same services when they are provided to external parties.

Schedule D – Summary of receipts and payments

Renbec Pty Ltd (In Liquidation) - Receipts and Payments for the period 14 March 2018 to 25 March 2022

Category	\$ (incl GST)
Receipts	
Realisation of plant and equipment	718,200
GST receipts	8,836
Insurance refunds	2,095
Interest income	6
Total receipts	729,137
Payments	
Petitioning creditors' costs	(2,809)
Commission on sale of plant and equipment	(37,900)
Black Label settlement costs	(195,214)
Distributions to secured creditors	(101,176)
Voluntary Administrators' fees	(50,969)
Legal fees	(94,974)
Legal disbursements	(6,493)
Liquidators' fees	(127,963)
Liquidators' disbursements	(517)
GST payable	(48,805)
Rent	(3,551)
Repairs	(880)
Storage	(22,000)
Insurance	(8,199)
Marine vessel search costs	(330)
Books and record storage	(6)
Total payments	(701,785)
Cash at bank as at 25 March 2022	27,351