

**Southern Engineering Services Pty Limited ("SES")  
S.E.S. Pumpcare International Pty Limited ("Pumpcare")  
Southern Engineering (Saltire) Services Pty Limited ("Saltire")  
(all Administrators Appointed)  
(collectively "the Companies")**

**Second meetings of creditors**

22 September 2014



McGrathNicol



# Agenda

- Formalities
- Purpose of meeting
- Report to creditors
- Resolutions
- Questions



# Formalities



# Formalities

## **Second statutory meetings of creditors of:**

- Southern Engineering Services Pty Limited ("SES");
- S.E.S. Pumpcare International Pty Limited ("Pumpcare"); and
- Southern Engineering (Saltire) Services Pty Limited ("Saltire")  
(all Administrators Appointed)



# Formalities

## Administrator Chairperson

- Corporations Regulation 5.6.17 (1)

## Introductions

- Chairperson
- Other

## Quorum

- Corporations Regulation 5.6.16 (2)

## Concurrent meetings

I now propose the following resolution to hold the meetings concurrently:

***“That the second meetings of creditors of SES, Pumpcare and Saltire be held concurrently”.***



# Formalities

## Attendees

- Attendance register
- When addressing the meeting, please state your name and the name of the creditor you are representing
- Teleconference participation

## Time and place

- Convenient per Corporations Regulation 5.6.14

## Proofs of debt and proxies

- Available for inspection
- Proxy must be completed in order to cast a vote

# Formalities

## Voting

- Voting on voices unless poll demanded: Corporations Regulation 5.6.19
- Poll can be demanded by:
  - > Chairperson; or
  - > 2 persons present and entitled to vote; or
  - > Creditors representing at least 10% of claims.
- When a poll is conducted, a resolution is passed if:
  - > more than half the creditors (**in number**) vote in favour of the resolution; and
  - > more than half the creditors (**in value**) vote in favor of the resolution.
- If there is a deadlock, the Chairperson may use their casting vote



## Purpose of the meeting





## Purpose of meeting

### **The statutory purpose of the meeting is to:**

- report to creditors on the Company's business, property affairs and financial circumstances;
- set out the Administrators' opinion on the courses of action available to the Company; and
- vote on the Company's future.

### In addition:

- consider and (if thought fit) approve the Administrators' and if determined, Liquidators' remuneration
- consider the appointment of a Committee of Inspection; and
- to discuss any other business.

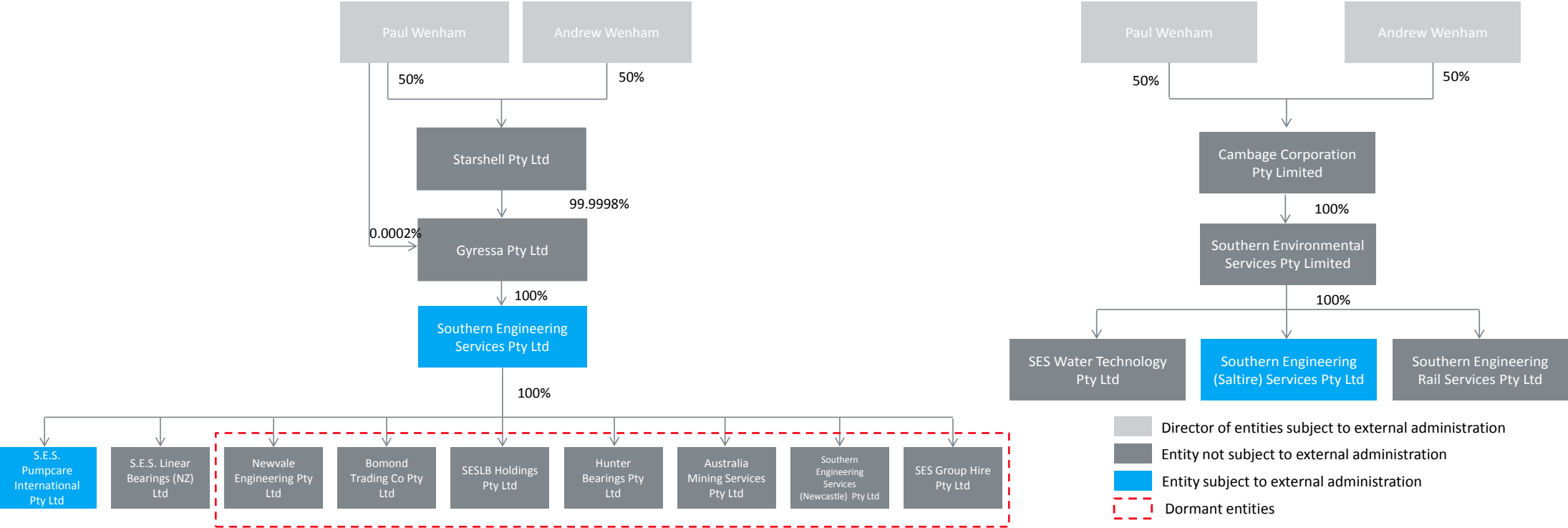
Section 439B of the Corporations Act allows this meeting to be adjourned up to a maximum of 45 business days.



# Report to creditors

# Report to creditors – Background

- Administrators appointed to SES on 18 August 2014 and to Pumpcare and Saltire on 23 August 2014 by the Directors Mr Andrew Wenham and Mr Paul Wenham.





## Report to creditors – Administration Strategy

- The Administrators initially continued to trade.
- Secured funding to trade for a short period of 10 days.
- Sale process initiated immediately following appointment.
- Final offers due 5 September 2014.
- 50 expressions of interest received.
- The Administrators ceased SES operations on 1 September 2014.
- Bomond Trading (Brookvale, NSW) sold to Edcon Steel.
- A number of final offers were received on 5 September 2014.
- The Administrators are still working with a small number of short listed bidders.
- The offer prices are commercially sensitive and at this stage are being withheld.
- The Administrators are all taking steps to prepare a sale of assets by auction.
- Whilst operations have ceased, the Administrators are maximising cash inflows from the collection of debtors and invoicing of work in progress.



## Report to creditors – SES claims

- Employee claims:
  - Company records show employee claims of \$1.6m
  - Total claims with PILN and redundancy estimated at \$3.6m
  - ANZ advance under Section 560 of the Corporations Act to pay wages circa \$0.9m – yet to be adjudicated upon
  - Related party advances under Section 560 of the Corporations Act to pay wages circa \$2.6m – yet to be adjudicated upon
- Personal Properties Security Act claims
  - 120 parties had registered claims on the Personal Properties Securities register
  - These appear to relate to:
    - > General Security Interest of ANZ
    - > Lessors of plant and equipment
    - > Suppliers in relation to stock supplied
  - Supplier PPSR claimants have been asked to prove their claims – time is of the essence as we work to vacate the premises.

## Report to creditors – SES claims

- Unsecured creditors
  - Claims estimated between \$12.5m to \$13.5m
  - Nil return likely from asset sales
  - Possible return from liquidator recoveries:
    - > Insolvent trading
    - > Preferences and voidable transactions

# Report to creditors – return to creditors

<b>SES - Realisation Waterfall (\$'000)</b>		
	<b>Low</b>	<b>High</b>
<b>Non-Circulating Assets</b>		
Asset Realisation	1,006	3,563
Repayment of ANZ Funding	146	146
Trading profit / (loss) attributable to non-circulating assets	(113)	55
Allocation of Administrators' costs	(350)	(393)
Less: ANZ	(13,500)	(12,500)
<b>Surplus/shortfall to ANZ</b>	<b>(12,811)</b>	<b>(9,129)</b>
<b>Circulating Assets</b>		
Pre-appointment of debtors and stock (net of Bibby)	2,682	3,457
Trading profit / (loss) attributable to circulating assets	(199)	(79)
Allocation of Administrators' costs	(591)	(591)
Liquidators' action recoveries	unknown	unknown
<b>Available to priority creditors (ANZ/employees)</b>	<b>1,892</b>	<b>2,787</b>
Less: Priority Employee Claims	(7,000)	(3,600)
Less: ANZ residual claim	(12,811)	(9,129)
<b>Available to unsecured creditors</b>	<b>Nil</b>	<b>Nil</b>

<b>Pumpcare - Realisation Waterfall (\$'000)</b>		
	<b>Low</b>	<b>High</b>
<b>Non-Circulating Assets</b>		
Asset Realisation	155	341
Repayment of ANZ Funding	17	17
Trading profit / (loss) attributable to non-circulating assets	6	6
Allocation of Administrators' costs	(30)	(56)
Less: ANZ	(13,500)	(12,500)
<b>Surplus/shortfall to ANZ</b>	<b>(13,352)</b>	<b>(12,192)</b>
<b>Circulating Assets</b>		
Pre-appointment of debtors and stock (net of Bibby)	336	439
Trading profit / (loss) attributable to circulating assets	8	8
Less: Administration/realisation costs	(56)	(40)
Liquidators' action recoveries	unknown	unknown
<b>Available to priority creditors (ANZ/employees)</b>	<b>288</b>	<b>407</b>
Less: Priority Employee Claims	(250)	(200)
Less: ANZ residual claim	(13,352)	(12,192)
<b>Available to unsecured creditors</b>	<b>Nil</b>	<b>Nil</b>



## Report to creditors - Investigations

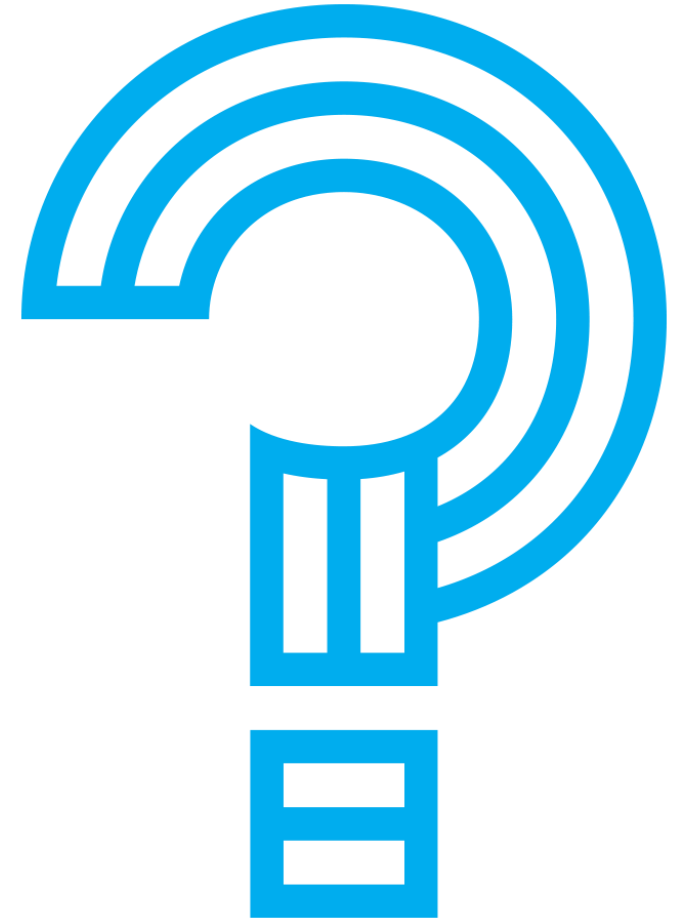
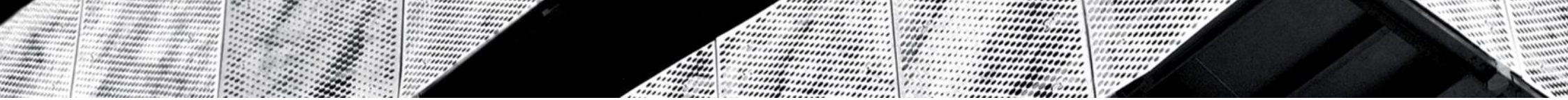
- Preliminary investigations into the affairs for any possible recoveries have identified possible recoveries to be reviewed by a Liquidator.
- SES Entities may have been insolvent for at least 6 months prior to the Administrators appointment.
- The Administrators have identified potential recovery. These include material potential preference payments to American Express \$1,343,000, ATO \$340,000 and trade creditors \$2,356,000.
- There are also a number of related party loans.
- We reviewed the sale of the Industrial and Newvale business assets.
- Appears that a proper process was run and the transaction was arms' length.
- The position of the creditors with perfected PPSR claims over stock that was transferred to Statewide Bearings is currently unclear.





## Report to creditors - opinion

- Companies are insolvent and should not be returned to the control of the directors
- No Deed of Company Arrangement proposal.
- Only option for each company is liquidation





# Resolutions – Decision regarding the future of the Companies



# Resolution – liquidation of SES

## Liquidation

- I now put the following resolutions to the meeting:

***“That SES be wound up at the close of this meeting and Shaun Fraser, James Thackray and Barry Kogan be appointed Joint and Several Liquidators”***





# Resolution – liquidation of Pumpcare

## Liquidation

- I now put the following resolutions to the meeting:

***“That Pumpcare be wound up at the close of this meeting and Shaun Fraser, James Thackray and Barry Kogan be appointed Joint and Several Liquidators”***



# Resolution – liquidation of Saltire

## Liquidation

- I now put the following resolutions to the meeting:

***“That Saltire be wound up at the close of this meeting and Shaun Fraser, James Thackray and Barry Kogan be appointed Joint and Several Liquidators”***



# Administrators' remuneration

# Administrators' remuneration

- Remuneration to be fixed
- Schedule was provided in initial communication
- Summary of actual and estimated fees:

Summary of Administrators' remuneration			
\$ (excl GST)	Actuals <sup>(1)</sup>	Estimate <sup>(2)</sup>	Approval sought
SES	518,869.20	226,000.00	744,869.20
Pumpcare	57,849.70	31,000.00	88,849.70
Saltire	15,320.60	4,000.00	19,320.60
<b>Total remuneration (excl GST)</b>	<b>592,039.50</b>	<b>261,000.00</b>	<b>853,039.50</b>

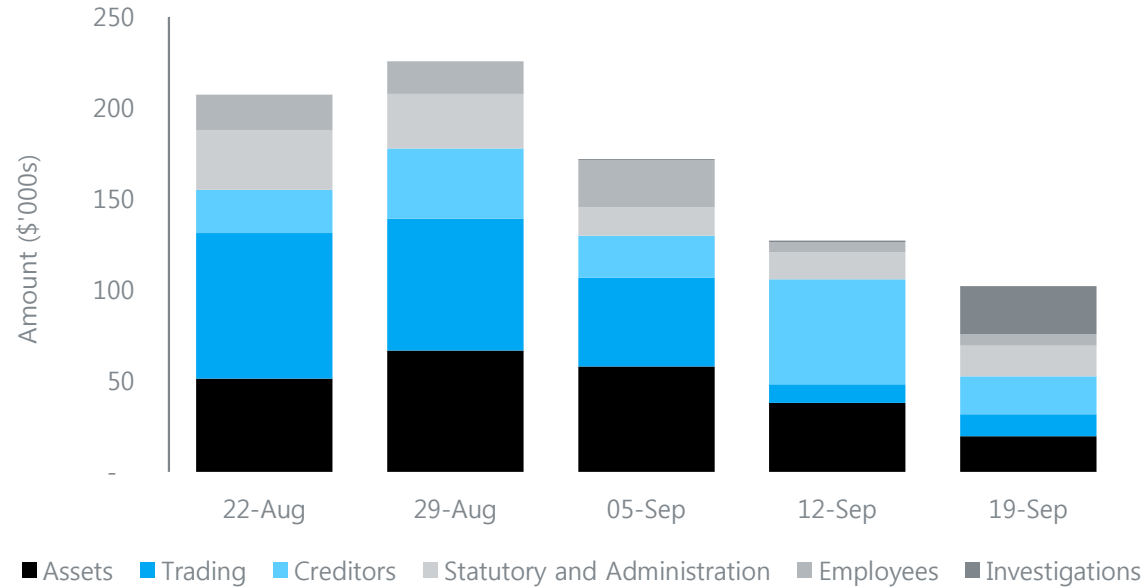
*(1) Amounts incurred for the period from the commencement of the respective administrations to 5 September 2014.*

*(2) Expected remuneration from 6 September 2014 up to the second creditors' meetings.*



# Administrators' remuneration – fees by tasks

SES and Pumpcare fees by task

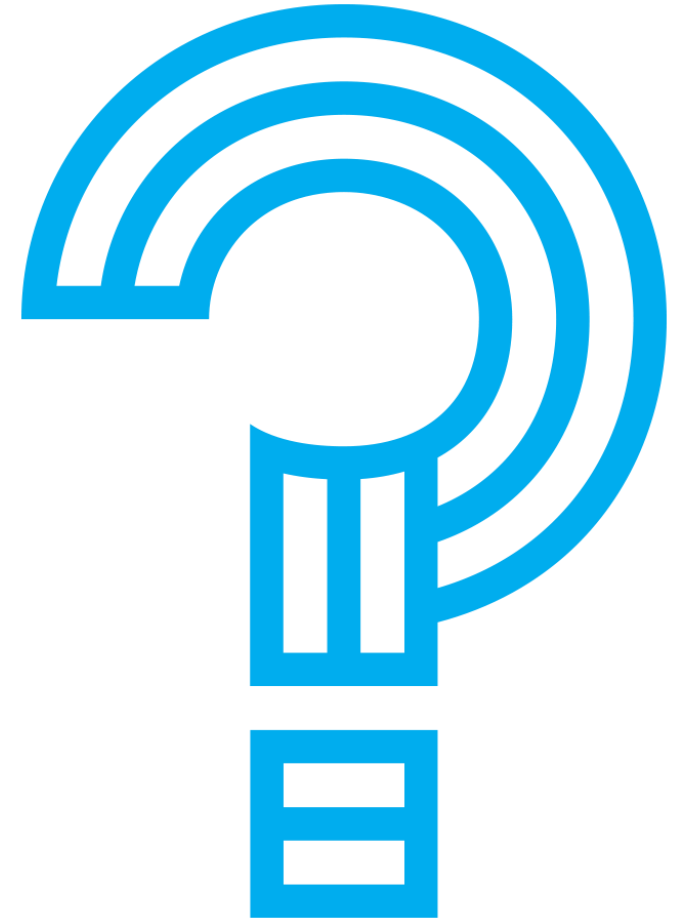
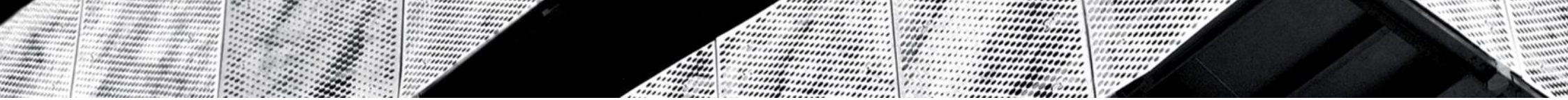


## Scale:

- 8 sites, 3 states
- 147 staff
- 120 PPSR claims

## Tasks:

- Securing assets
- Option assessment
- Sale process
- Contingency planning
- Creditors (750)
- Statutory
- Asset recovery





# Resolutions – Administrators' Remuneration



## Resolutions – SES Administrators' remuneration resolutions

### **Resolution – remuneration incurred from 18 August 2014 to 5 September 2014 for SES**

*“That the remuneration of the Administrators, their partners and staff, for the period from 18 August 2014 to 5 September 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$518,869.20 (exclusive of GST), is hereby approved for payment.”*

### **Resolution – remuneration incurred from 6 September 2014 to 22 September 2014 for SES**

*“That the future remuneration of the Administrators, their partners and staff, for the period from 6 September 2014 to 22 September 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$226,000.00 (exclusive of GST), is hereby approved for payment.”*



## Resolutions – Pumpcare Administrators' remuneration resolutions

### **Resolution – remuneration incurred from 23 August 2014 to 5 September 2014 for Pumpcare**

*"That the remuneration of the Administrators, their partners and staff, for the period from 23 August 2014 to 5 September 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$57,849.70 (exclusive of GST), is hereby approved for payment."*

### **Resolution – remuneration incurred from 6 September 2014 to 22 September 2014 for Pumpcare**

*"That the future remuneration of the Administrators, their partners and staff, for the period from 6 September 2014 to 22 September 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$31,000.00 (exclusive of GST), is hereby approved for payment."*





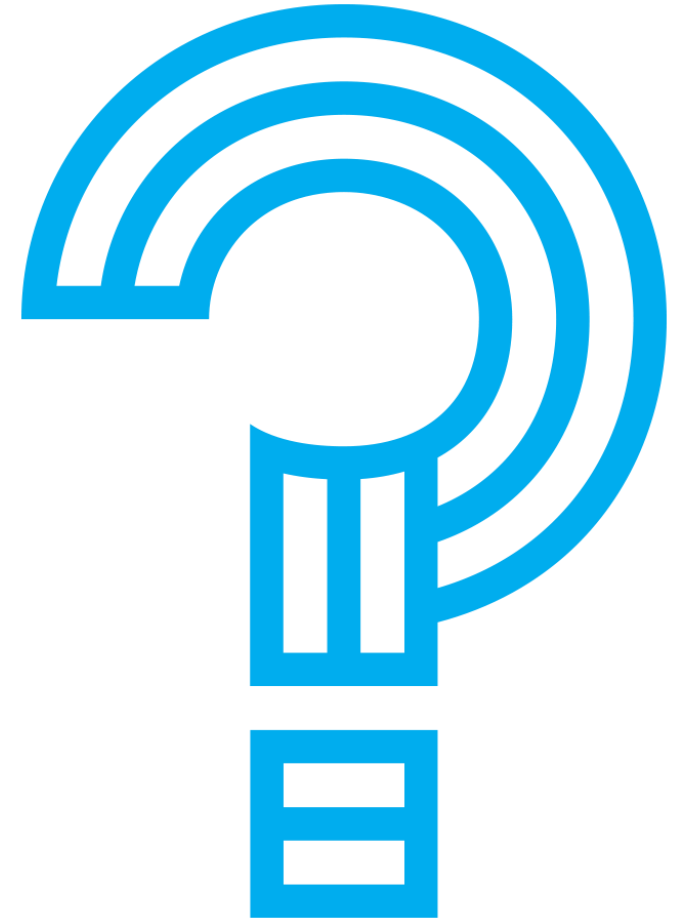
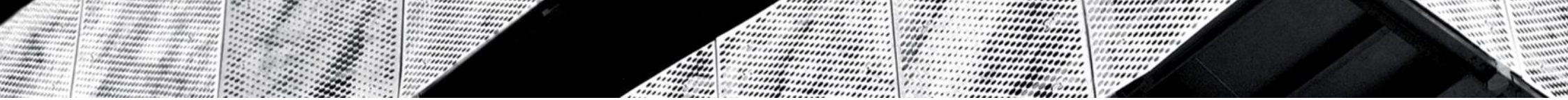
## Resolutions – Saltire Administrators’ remuneration resolutions

### **Resolution – remuneration incurred from 23 August 2014 to 5 September 2014 for Saltire**

*“That the remuneration of the Administrators, their partners and staff, for the period from 23 August 2014 to 5 September 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$15,320.60 (exclusive of GST), is hereby approved for payment.”*

### **Resolution – remuneration incurred from 6 September 2014 to 22 September 2014 for Saltire**

*“That the future remuneration of the Administrators, their partners and staff, for the period from 6 September 2014 to 22 September 2014, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$4,000.00 (exclusive of GST), is hereby approved for payment.”*





## Resolutions – Future Liquidator’s remuneration

## Future Liquidator's remuneration

- Future costs for all Liquidations could be in the range of \$400,000 to \$500,000.
- Work to be completed by a liquidator was outlined in our report.
- Propose seeking limited approval for future fees of Liquidator as set out below.
- Further fees to be approved by Committee of Inspection, Creditors or the Court.

Summary of Liquidators' remuneration	
\$ (excl GST)	Forecast
SES	100,000
Pumpcare	50,000
Saltire	50,000
<b>Total remuneration (excl GST)</b>	<b>200,000</b>



## Resolution – Future Liquidators’ Remuneration for SES

- I now put the following resolution to the meeting:

*“That the remuneration of the Liquidators, for the period of the liquidation, shall be a sum equal to the time costs spent by the Liquidators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$100,000.00 (exclusive of GST), is hereby approved for payment.”*





## Resolution – Future Liquidators’ Remuneration for Pumpcare

- I now put the following resolution to the meeting:

*“That the remuneration of the Liquidators, for the period of the liquidation, shall be a sum equal to the time costs spent by the Liquidators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$50,000.00 (exclusive of GST), is hereby approved for payment.”*



## Resolutions – Future Liquidators’ Remuneration for Saltire

- I now put the following resolution to the meeting:

*“That the remuneration of the Liquidators, for the period of the liquidation, shall be a sum equal to the time costs spent by the Liquidators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$50,000.00 (exclusive of GST), is hereby approved for payment.”*



# Resolution – Committee of Inspection

# Resolutions – Committee of Inspection

- VA Creditors committee dissolves upon the appointment of a liquidator
- Committee of Inspection can be formed by creditors, in a liquidation
- Committee of Inspection for SES and Pumpcare recommended

## Resolution – that a committee of inspection be formed for SES (if required)

*“That:*

- ..... representing .....*
- ..... representing .....*
- ..... representing .....*
- ..... representing .....*
- ..... representing .....*

*be appointed to the Committee of Inspection of Southern Engineering Services Pty Limited”*

# Resolutions – Committee of Inspection

**Resolution – that a committee of inspection be formed for Pumpcare (if required)**

*“That:*

*..... representing .....*

*..... representing .....*

*..... representing .....*

*..... representing .....*

*..... representing .....*

*be appointed to the Committee of Inspection of S.E.S. Pumpcare International Pty Limited”*





# Compromised debts and extended payment arrangements

# Resolutions – SES

## Compromise debt resolution

*“That so far as is necessary for the beneficial winding up of Southern Engineering Services Pty Limited the Liquidators are hereby authorised pursuant to subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act 2001 to compromise any debt to SES greater than the prescribed amount (currently \$100,000) and to enter any agreement on behalf of SES involving a term or obligations extending for more than three months.”*

