

## Statutory report to creditors

### Careers Australia Group Limited and its subsidiaries (All in Liquidation) (the Group)

Martin Ford and David McEvoy were appointed joint and several Administrators of Careers Australia Group Limited and 10 of its subsidiaries on 25 May 2017, and an additional subsidiary on 26 May 2017. The twelve companies are collectively referred to as **the Group**.

Martin Ford and David McEvoy were subsequently appointed as Liquidators of the Group on 30 June 2017.

This report should be read in conjunction with our previous report to creditors dated 22 June 2017. The purpose of this report is to:

- provide creditors with the estimated amounts of assets and liabilities;
- provide creditors with an update on the progress of the Group's liquidation and possible recovery actions; and
- advise creditors of the likelihood of a dividend being paid in the liquidation of all companies in the Group.

This report has been prepared on a consolidated basis, except where we have made disclosures specific to individual companies within the Group. We have chosen to report on a consolidated basis due to:

- the interdependent relationship of the companies within the Group;
- the consolidated method of reporting financial information by Management and Directors; and
- the benefit of providing stakeholders with a holistic view of the businesses, operations, financial affairs and investigations of the Group.

#### 1. Update on the progress of the liquidation

As previously reported, the Group was a private provider of vocationally focused tertiary education. The business delivered vocational education and training (**VET**), higher education via the Australia School of Management (**ASM**) and support training functions.

A brief description of the operations of each company in the Group can be found in our previous report.

The Group employed approximately 1,100 people, operated from 18 leasehold premises at various locations around Australia, and had approximately 19,000 students enrolled at the date of our appointment.

Our investigations to date indicate that the Group's failure is primarily the result of:

- deteriorating enrolment numbers as a result of increased regulation of VET offerings and brand damage suffered during 2016 following an investigation by the Australian Competition and Consumer Commission (ACCC);
- changes to the VET funding model from VET-FEE HELP (VFH) (paid in advance) to VET Student Loan (paid in arrears) (VSL);

- inability to obtain a VSL licence, resulting in the loss of the Group's major revenue source;
- the significant costs in pursuing an aggressive growth strategy for the ASM business, which did not result in a proportionate increase in cash revenues; and
- deteriorating cashflow due to the requirement to repay up to \$40m of student tuition claimed in advance during CY2016.

Since our appointment we have:

- taken steps to maximise the prospects of recovering outstanding student, corporate and government debtors;
- completed three business and asset sales across the Group (Section 3);
- realised cash at bank, student, government and corporate debtors and, plant and equipment via an independent auctioneer and reseller;
- verified employee entitlements for approximately 1,100 staff employed across the Group and facilitated the transfer of outstanding entitlements as a part of the three business sales;
- provided employee entitlement data to the Department of Employment (DE) and called a final dividend for ASM to facilitate payment of priority creditors;
- undertaken preliminary investigations into the Group's dealings and affairs (Section 2); and
- identified possible claims, offences committed and courses of action (Section 2).

Details on the likelihood of a dividend and our future courses of action are outlined in Sections 5 and 7 of this report, respectively.

The Directors of the companies in the Group have completed a Report as to Affairs (**RATA**) for each company which the Liquidators lodged with the Australian Securities and Investments Commission (**ASIC**).

The RATAs of the following companies in the Group do not disclose any material assets or creditors:

- Cumulonimbus Investments Pty Ltd (In Liquidation) (**CI**);
- Today Corp Limited (In Liquidation) (**TC**);
- Careers Australia College of Healthcare (In Liquidation) (**CACH**);
- Careers Australia Institute of English Pty Ltd (In Liquidation) (**CAIE**); and
- Stratocumulus Pty Ltd (In Liquidation) (**SC**).

We note the following in relation to the above companies:

- investigations have not identified any realisable assets;
- investigations into potential claims will be finalised however based on the information to hand we do not anticipate any materials recoveries;
- a dividend is unlikely;
- we will attend to all statutory lodgements and report to creditors as required; and
- in the absence of any significant developments, we will proceed to finalise the respective liquidations.

An update on the assets and liabilities of the remaining companies in the Group is provided below.

The Liquidators' asset estimates are commercially sensitive and have been withheld so as not to prejudice ongoing recoveries and asset realisations.

The Liquidators' liability estimates are limited to the books and records and creditor proof of debts received to date and are subject to the ongoing investigations.

### 1.1 Careers Australia Group Limited (In Liquidation) (CAG)

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Directors' RATA		Liquidators' estimate
		Book value \$'000	Estimated Value \$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	-
Sundry debtors	1	-	-	Withheld
Cash on hand	1	3	3	Withheld
Cash at bank	1	95	95	Withheld
Plant and equipment	2	5,214	892	Withheld
Other	2	-	-	Withheld
<b>Total known Assets</b>		<b>5,312</b>	<b>989</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3	(109,064)	(109,064)	(119,416)
Employee entitlements	4	(15,080)	(15,080)	(17,677)
Trade and other creditors	5	(4,270)	(4,270)	(67,284)
Related party creditors	6	-	-	(1,255)
<b>Total known Liabilities</b>		<b>(128,414)</b>	<b>(128,414)</b>	<b>(204,377)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>(123,102)</b>	<b>(127,424)</b>	<b>Withheld</b>

#### Notes:

1. All amounts disclosed in the RATA and held in the secured creditor trading and student accounts were swept prior to our appointment. It is anticipated there will be no circulating asset proceeds for distribution to any class of creditors.
2. The net proceeds from the sale of non-circulating assets have been remitted to the secured creditor pursuant to their registered security interest. Further asset sales are being negotiated, however given the quantum of secured creditor claims, it is anticipated there will be no non-circulating asset proceeds for distribution to priority or unsecured creditors.
3. Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
4. There are insufficient proceeds from circulating assets to pay a dividend to employees and accordingly, we have directed employees to lodge claims with the DE for payment through the Fair Entitlements Guarantee scheme (FEG) scheme. The sale of the nursing, trades and Workstar businesses reduced the total entitlements payable by c.\$776k reflecting the amount of employee liabilities assumed by the purchasing entity. We are continuing to liaise with FEG to verify employee entitlements (excluding superannuation) for approximately 1,000 employees. The estimated outstanding entitlements as at our appointment are as follows:

Category	Amount (\$)
Unpaid wages (incl. allowances)	2,685,783.67
Annual leave	2,815,555.67
Long service leave	376,072.47
Payment in lieu of notice	4,925,342.84
Redundancy	4,725,550.62
Unpaid personal leave	386,029.35
<b>Total outstanding (excl. superannuation)</b>	<b>15,914,334.62</b>
Unpaid superannuation	1,763,010.04
<b>Total outstanding (incl. supperannuation)</b>	<b>17,677,344.66</b>

We note that executive officers are excluded from claiming under the FEG scheme.

The DE will be entitled to a subrogated right of claim in relation to any entitlements paid to employees. Additionally, the Australian Taxation Office (ATO) will lodge a claim for unpaid superannuation guarantee charge on behalf of employees that are owed superannuation by the company.

5. Includes the ATO as a creditor for \$4.7m with the remainder largely comprising trade creditors.
6. Comprises funds owed to ACAE in relation to intra-company loans. We have not yet verified the transactions in this account.

## 1.2 Australian School of Management Pty Ltd (ASM)

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Directors' RATA		Liquidators' estimate
		Book value	Estimated Value	
		\$'000	\$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	-
Sundry debtors	1	633	127	Withheld
Cash on hand		-	-	-
Cash at bank	1	3,285	3,285	Withheld
Plant and equipment	2	172	15	Withheld
Other		-	-	-
<b>Total known Assets</b>		<b>4,090</b>	<b>3,426</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3			(119,416)
Employee entitlements	4	(1,007)	(1,007)	(1,141)
Trade and other creditors	5	(48)	(48)	(2,642)
Related party creditors	6	-	-	(807)
<b>Total known Liabilities</b>		<b>(1,055)</b>	<b>(1,055)</b>	<b>(124,007)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>3,035</b>	<b>2,371</b>	<b>Withheld</b>

### Notes:

- The amount disclosed in the RATA comprise VFH and student debtors. Collection of student debtors relating to outstanding student course payments have been referred to a debt collector.  
  
Sufficient funds were available in bank accounts on appointment for a 100% dividend to priority creditors. We note that any deposits relating to prepaid fees (i.e. where census date has not passed or learnings have not been delivered) will not be swept to the Liquidators' bank account.  
  
We will provide creditors with an update on the status of recoveries in due course.
- It was deemed uncommercial to realise the company's limited plant and equipment disclosed in the RATA. No realisations are expected.
- Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
- Sufficient circulating assets have been realised to pay a dividend of 100 cents in the dollar in relation to outstanding employee entitlements and superannuation. A notice advertising the dividend and providing details for employees to lodge their claim with the Liquidators has been issued. The dividend will be paid on or before 2 November 2017.

Below is a breakdown of the estimated outstanding entitlements:

Category	Amount (\$)
Unpaid wages	178,122.46
Annual leave	234,416.91
Payment in lieu of notice	408,823.95
Redundancy	196,658.84
<b>Total outstanding (excl. superannuation)</b>	<b>1,018,022.19</b>
Unpaid superannuation	123,029.19
<b>Total outstanding (incl. superannuation)</b>	<b>1,141,051.38</b>

Pursuant to Section 556(2) of the Act, excluded employees will have their entitlements capped to \$3,500 for dividend purposes. The balance of their entitlements rank as an unsecured claim under Sections 556(1A) and 556(1B) of the Act.

The ATO will lodge a claim for unpaid superannuation guarantee charge on behalf of employees that are owed superannuation by the company.

5. Includes the ATO as a creditor for \$241k with the remainder largely comprising trade and student creditors.
6. Comprises funds owed to ACAE, CAG and CAIT in relation to intra-company loans. We have not yet verified the transactions in these accounts.

### 1.3 Australian College of Applied Education Pty Ltd (In Liquidation) (ACAE)

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Directors' RATA		Liquidators' estimate
		Book value	Estimated Value	
		\$'000	\$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	-
Sundry debtors	1	906	906	Withheld
Cash on hand		1	1	-
Cash at bank	1	132	132	Withheld
Plant and equipment	2	596	119	Withheld
Other		-	-	-
<b>Total known Assets</b>		<b>1,635</b>	<b>1,158</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3	-	-	(119,416)
Employee entitlements		-	-	-
Trade and other creditors		(258)	(258)	(1,102)
Related party creditors	4			(780)
<b>Total known Liabilities</b>		<b>(258)</b>	<b>(258)</b>	<b>(121,298)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>1,377</b>	<b>899</b>	<b>Withheld</b>

#### Notes:

1. The amounts disclosed in the RATA excludes unrecoverable debts. Collection of student debtors relating to outstanding student course payments have been referred to a debt collector. There is a significant shortfall in circulating asset proceeds and it is anticipated there will be no surplus funds for distribution to any class of creditors.
2. The net proceeds from the sale of non-circulating assets have been remitted to the secured creditor pursuant to their registered security interest. Further asset sales may be negotiated, however given the quantum of secured creditor claims, there is a significant shortfall in non-circulating asset proceeds and it is anticipated there will be no surplus funds for distribution to priority or unsecured creditors.
3. Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
4. Comprises funds owed to ACAE, CAG and CAIT in relation to intra-company loans. We have not yet verified the transactions in these accounts.

#### 1.4 Careers Australia Education Institute Pty Ltd (CAEI)

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Directors' RATA		Liquidators' estimate
		Book value	Estimated Value	
		\$'000	\$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	
Sundry debtors	1	4,890	492	Withheld
Cash on hand		17	17	-
Cash at bank	1	160	160	Withheld
Plant and equipment	2	3,629	336	Withheld
Other	2	-	-	Withheld
<b>Total known Assets</b>		<b>8,695</b>	<b>1,005</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3	-	-	(119,416)
Employee entitlements		-	-	-
Trade and other creditors		(1,106)	(1,106)	(2,587)
Related party creditors	4	-	-	(15,027)
<b>Total known Liabilities</b>		<b>(1,106)</b>	<b>(1,106)</b>	<b>(137,030)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>7,589</b>	<b>(101)</b>	<b>Withheld</b>

#### Notes:

- All amounts disclosed in the RATA and held in secured creditor trading and student accounts were swept prior to our appointment.

Debtor amounts disclosed in the RATA exclude unrecoverable debts. Collection of student and corporate debtors relating to outstanding student course payments have been referred to a debt collector. We are continuing to engage with the Department of Education and Training (DET) regarding outstanding pre-appointment accounts. There is a significant shortfall in circulating asset proceeds based on current recoveries and it is anticipated there will be no surplus funds for distribution to any class of creditors.

We will provide creditors with an update on the status of recoveries in due course.

- The net proceeds from the sale of non-circulating assets including business and assets sales have been remitted to the secured creditor pursuant to their registered security interest. Further asset sales may be negotiated, however given the quantum of secured creditor claims, there is a significant shortfall in non-circulating asset proceeds and it is anticipated there will be no surplus funds for distribution to priority or unsecured creditors.
- Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
- Comprises funds owed to ACAE, CAG and CAIT in relation to intra-company loans. We have not yet verified the transactions in these accounts.



## 1.5 Careers Australia Institute of Training Pty Ltd (CAIT)

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Directors' RATA		Liquidators' estimate
		Book value	Estimated Value	
		\$'000	\$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	-
Sundry debtors	1	889	356	Withheld
Cash on hand		1	1	-
Cash at bank	1	67	67	Withheld
Plant and equipment	2	1,519	304	Withheld
Other	2	-	-	Withheld
<b>Total known Assets</b>		<b>2,476</b>	<b>727</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3	-	-	(119,416)
Employee entitlements		-	-	-
Trade and other creditors		(1,279)	(1,279)	(35,195)
Related party creditors	4	-	-	(34,595)
<b>Total known Liabilities</b>		<b>(1,279)</b>	<b>(1,279)</b>	<b>(189,206)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>1,197</b>	<b>(552)</b>	<b>Withheld</b>

### Notes:

- All amounts disclosed in the RATA and held in secured creditor trading and student accounts were swept prior to our appointment.  
  
Debtor amounts disclosed in the RATA exclude unrecoverable debts. Collection of student and corporate debtors relating to outstanding student course payments have been referred to a debt collector. There is a significant shortfall in circulating asset proceeds based on current recoveries and it is anticipated there will be no surplus funds for distribution to any class of creditors.  
  
We will provide creditors with an update on the status of recoveries in due course.
- The net proceeds from the sale of non-circulating assets including business and assets sales have been remitted to the secured creditor pursuant to their registered security interest. Further asset sales may be negotiated, however given the quantum of secured creditor claims, there is a significant shortfall in non-circulating asset proceeds and it is anticipated there will be no surplus funds for distribution to priority or unsecured creditors.
- Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
- Comprises funds owed to CACH, CAIE, CAG and TC in relation to intra-company loans. We have not yet verified the transactions in these accounts.

## 1.6 ACN 097 871 933 (formerly known as Workstar Pty Ltd) (Workstar)

Creditors should note that the Liquidators applied to ASIC to change the name of the company in compliance with the terms of an agreement for sale of the company's assets including its intellectual property.

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Directors' RATA		Liquidators' estimate
		Book value	Estimated Value	
		\$'000	\$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	-
Sundry debtors	1	837	448	Withheld
Cash on hand		1	1	-
Cash at bank	1	38	38	Withheld
Plant and equipment		67	22	Withheld
Other	2	-	-	Withheld
<b>Total known Assets</b>		<b>943</b>	<b>510</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3	-	-	(119,416)
Employee entitlements	4	(795)	(795)	(759)
Trade and other creditors	5	(178)	(178)	(5,975)
Related party creditors	6			(5,282)
<b>Total known Liabilities</b>		<b>(973)</b>	<b>(973)</b>	<b>(113,857)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>(30)</b>	<b>(464)</b>	<b>Withheld</b>

### Notes:

- All cash amounts disclosed in the RATA and held in secured creditor trading and student accounts were swept prior to our appointment.  
  
Debtor amounts disclosed in the RATA exclude unrecoverable debts. Collection of debtors has been referred to a debt collector. Sufficient funds are available for a 25-35% dividend to priority creditors.  
  
There is a significant shortfall in circulating asset proceeds based on current recoveries and it is anticipated there will be no surplus funds for distribution to secured and unsecured creditors.  
  
We will provide creditors with an update on the status of recoveries in due course.
- The net proceeds from the sale of non-circulating assets including business and assets sales have been remitted to the secured creditor pursuant to their registered security interest. Further asset sales may be negotiated, however given the quantum of secured creditor claims, there is a significant shortfall in non-circulating asset proceeds and it is anticipated there will be no surplus funds for distribution to priority or unsecured creditors.
- Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
- Sufficient circulating assets have been realised to pay a partial dividend in respect of outstanding employee entitlements and superannuation. Employees have been directed to lodge claims with the DE for payment through the Fair Entitlements Guarantee scheme (FEG) scheme. We are continuing to liaise with FEG to verify employee entitlements. Below is a breakdown of the estimated outstanding entitlements:

Category	Amount (\$)
Unpaid wages (incl. allowances)	105,731.07
Annual leave	156,784.14
Long service leave	88,815.87
Payment in lieu of notice	199,723.70
Redundancy	246,198.23
Unpaid personal leave	6,515.80
<b>Total outstanding (excl. superannuation)</b>	<b>803,768.81</b>
Unpaid superannuation	66,182.80
<b>Total outstanding (incl. superannuation)</b>	<b>869,951.61</b>

Pursuant to Section 556(2) of the Act, excluded employees will have their entitlements capped to \$3,500 for dividend purposes. The balance of their entitlements rank as an unsecured claim under Sections 556(1A) and 556(1B) of the Act.

The DE will be entitled to a subrogated right of claim in relation to any entitlements paid to employees. Additionally, the ATO will lodge a claim for unpaid superannuation guarantee charge on behalf of employees that are owed superannuation by the company.

5. Includes the ATO as a creditor for \$134k with the remainder comprising trade and student creditors.
6. Comprises funds owed to CAEI, CAG and CAIT in relation to intra-company loans. We have not yet verified the transactions in these accounts.

## 1.7 Global Learning Support Group Pty Ltd (GLS)

The below table provides a comparison of the assets and liabilities disclosed in the Directors' RATA and the Liquidators' estimate:

	Notes	Director's RATA		Liquidator's estimate
		Book value	Estimated Value	
		\$'000	\$'000	\$'000
<b>Assets</b>				
Interest in land		-	-	-
Sundry debtors	1	645	81	Withheld
Cash on hand		-	-	-
Cash at bank	1	4	4	Withheld
Plant and equipment	2	110	17	Withheld
Other		-	-	-
<b>Total known Assets</b>		<b>759</b>	<b>101</b>	<b>Withheld</b>
<b>Liabilities</b>				
Secured creditors	3	-	-	(119,416)
Employee entitlements		-	-	-
Trade and other creditors	4	(5,245)	(5,245)	(13,674)
Related party creditors	5			(13,325)
<b>Total known Liabilities</b>		<b>(5,245)</b>	<b>(5,245)</b>	<b>(120,897)</b>
<b>Surplus / (Deficiency) (subject to costs of liquidation)</b>		<b>(4,486)</b>	<b>(5,144)</b>	<b>Withheld</b>

### Notes:

- A review of the books and records and enquiries of management has identified some recoverable debtors. We intend to conduct further investigations and will report to creditors in due course.  
  
All cash amounts disclosed in the RATA and held in secured creditor trading accounts were swept prior to our appointment.  
  
There is a significant shortfall in circulating asset proceeds based on current recoveries and it is anticipated there will be no surplus funds for distribution to any class of creditor.
- A review of the books and records did not identify any recoverable plant and equipment. No realisations are expected.
- Comprises funds owed to secured creditors under various facilities. Secured creditors hold general security interests registered over all, or substantially all, of the assets of the Group. Given the quantum of claims, the Liquidators estimate that there will be a significant shortfall to all secured creditors of the Group after asset realisations are complete.
- Includes the ATO as a creditor for \$76k with the remainder comprising trade and student creditors.
- Comprises funds owed to CAG in relation to intra-company loans. We have not yet verified the transactions in this account.

## **2. Investigations undertaken and possible recoveries**

### **2.1 Insolvent trading**

We have conducted our preliminary solvency investigations on a Group basis given the structure of the Group's treasury model whereby finances were effectively pooled.

Our preliminary view is that the Group may have been insolvent from at least December 2016 but most likely from February 2017 when it had insufficient funds to meet its debts as and when they fell due. The basis for this view, in summary, is that post January 2017:

- there was a material increase in the value of overdue debt to trade suppliers;
- the Group was unable to pay statutory liabilities as they fell due;
- the Group was unable to raise sufficient funds to restore its solvency; and
- there was a deficiency of working capital of c.\$19m after adjusting the book value of current assets for assets that cannot easily or quickly be converted to cash.

We have based our investigations and opinions on information obtained from:

- books and records, including management reports and board reports;
- electronic financial systems;
- accounting and database information systems used within the business;
- director(s), officers, management and key staff members (where available);
- external professional reports, including audit reports; and
- publicly available information e.g. ASIC, ASX, ACCC.

In the event a successful insolvent trading claim was made, it would be recoverable against the Group's Directors pursuant to Section 588M of the Act. We note that significant further investigations are required to prove the requisite culpability of the Directors. We note that as at the date of our appointment, the Group held a D&O Policy which offers liability cover for company officers to protect them from claims. We are currently in the process of reviewing the terms of the D&O Policy and undertaking further investigations to determine the quantum of a possible claim. We will report our findings to creditors in due course.

In addition, an insolvent trading claim can also be pursued against the holding entity pursuant to Section 588W of the Act. However, it may not be commercial to pursue the holding entity, Cirrus Business Investments Ltd, which is domiciled in the British Virgin Islands due to the likely time and costs associated with undertaking legal proceedings.

### **2.2 Voidable transactions and other claims**

We provide the following update on our investigations in relation to voidable transactions and other claims:

- Letters of demand have been issued to recover a \$1.3m loan to Director, Patrick McKendry from CAEI in May 2016 to fund the exercise of a share option in CAG. In May 2016 Mr McKendry called on a backstop put option for the sale of CAG shares totalling c\$1.6m. The terms of the CAEI limited recourse loan require repayment of the loan to the equivalent value of any share proceeds or dividend. Group books and records indicate only \$300k of the share proceeds were applied to reduce the loan.
- We have identified payments totalling \$9.4m across the Group which appear to be preferential in nature and commercial to pursue. We have progressed our inquiries in relation to some of the possible claims and letters of demand have been issued;

- We have identified possible voidable transactions involving the Directors. Given the sensitivity of any litigation which may ensue, we are unable to disclose any further details at this stage;
- There are a number of aspects of the Group's financial statements which warrant further investigation to determine if the auditor fully complied with its obligations under Australian Auditing Standards. Creditors should note that formal legal proceedings in relation to such claims are subject to significant uncertainty and may take in excess of three years, or possibly longer, to reach a conclusion; and
- We consider there may be merit in conducting public examinations in respect of a number of areas of interest including, but not limited to, the preparation and review of financial statements, the possibility of insolvent trading, and any potential breach of duties by the directors and management of the Group.

### **2.3 Offences and reporting to ASIC**

At the conclusion of our investigations into the Group's dealings and affairs, and possible offences committed by officers of the Group, we will submit a report of our findings with ASIC pursuant to Section 533 of the Act.

Creditors should be aware that this report is not available to the public. Subject to the findings disclosed in our report, ASIC may request the Liquidators to undertake further investigations.

### **3. Sale of business outcomes**

To date we have completed sales in relation to:

- the nursing business operated by CAEI;
- certain assets of CAIT relating to the Carpentry and Painting & Decorating courses (including P&E, course materials and the 'Trades and Futures' platform); and
- certain assets of Workstar, being an e-learning business (including P&E, intellectual property, customer contracts and WIP).

A sale of the Group's course materials and other intellectual property is being negotiated.

We note that a majority of the net proceeds recovered from the above sales relate to the sale of non-circulating assets and accordingly, the net proceeds are subject to the secured creditors' registered security interest.

Further details of the above sales are provided in our report dated 22 June 2017.

### **4. Receipts and payments**

Attached at Appendix A are details of all receipts and payments in each liquidation to date.

## 5. Likelihood of a dividend

The Liquidators' estimate of returns to creditors (priority and unsecured) is as follows:

Company	Return to priority creditors (Note 1, 2)	Return to unsecured creditors
<b>CAG</b>	Nil	Nil
<b>ASM</b>	100c	Nil
<b>ACAE</b>	Not Applicable	Nil
<b>CAEI</b>	Not Applicable	Nil
<b>CAIT</b>	Not Applicable	Nil
<b>Workstar</b>	25-35c	Nil
<b>CACH</b>	Not Applicable	Nil
<b>CAIE</b>	Not Applicable	Nil
<b>GLS</b>	Not Applicable	Nil
<b>CI*</b>	Not Applicable	Not Applicable
<b>TC*</b>	Not Applicable	Not Applicable
<b>SC*</b>	Not Applicable	Not Applicable

\* The Group's books and records indicate that the company has no assets or any external creditors.

### Notes:

1. The estimated return for priority creditors includes any dividends payable to DE for payment of employee entitlements.
2. The estimated return does not reflect potential recoveries that may be achieved from various claims and actions identified in Section 2. Whilst investigations have progressed and the quantum of claims can be estimated, the possible returns from same are unknown due to the size and complexity of potential legal proceedings and the unpredictability of litigation costs. We will provide creditors with an update on the outcome of our investigations and any change on the likelihood of a dividend being paid to creditors.

## 6. Cost of the liquidation

Below is an estimate of our costs in the liquidation of each company in the Group:

Company	Estimated costs excl. GST (\$)
<b>CAG</b>	350,000
<b>ASM</b>	170,000
<b>ACAE</b>	65,000
<b>CAEI</b>	300,000
<b>CAIT</b>	250,000
<b>Workstar</b>	150,000
<b>CACH</b>	15,000
<b>CAIE</b>	15,000
<b>GLS</b>	15,000
<b>CI</b>	15,000
<b>TC</b>	15,000
<b>SC</b>	15,000
<b>Total</b>	<b>1,375,000</b>

Given the complexity and uncertainty of possible claims we may need to revise the above amounts. In such an event, we will detail the reasons and report to creditors for approval.



## 7. What happens next?

We will proceed with the liquidation process of the companies in the Group and undertake various tasks including:

- attend to stakeholder queries and provide assistance to students and employees where possible;
- complete verification of employee entitlements and facilitate payment of same;
- distribute a dividend to the employees of ASM;
- engage with COI members and prepare updates to creditors;
- hold meetings of committee as required;
- realise the remaining assets;
- complete reconciliation of student accounts and recover any student, corporate and government debtors;
- complete thorough investigations into the Group's dealings and affairs;
- report findings to ASIC pursuant to the Act;
- pursue recovery any voidable transactions;
- distribute recoveries made in accordance with the priority provisions of the Act; and
- attend to all statutory lodgements.

At this stage, we are unable to provide an expected date of finalisation for the various liquidations due to:

- the size and complexity of the liquidations;
- the density of books and records to be investigated in relation to possible claims; and
- the interdependent relationship of the companies within the Group.

We will provide a further update in this regard in forthcoming reports to creditors.

## 8. What to do next

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

- ARITA at [www.arita.com.au/creditors](http://www.arita.com.au/creditors)
- ASIC at <http://asic.gov.au/regulatory-resources/insolvency/insolvency-information-sheets/>

Should you have any further queries or require any further information, contact details for each stakeholder group are provided on the following website:

<https://www.ppbadvisory.com/creditor-information/v/485/careers-australia-group-limited>

Dated this 29<sup>th</sup> day of September 2017



**Martin Ford and David McEvoy**  
Liquidators

Date of appointment:	30 June 2017
Contact name:	Sunny Puni
Telephone number:	+61 3 9269 4279
Email:	spuni@ppbadvisory.com

### List of attachments

Appendix A - List of receipts and payments



## Appendix A

Summary of receipts and payments as at 24 September 2017

### Careers Australia Group Pty Ltd (In Liquidation)

ACN 120 675 505

<b>Account</b>	<b>\$ incl. GST</b>
Business sale	68,206.33
Cash on hand	2,092.65
Data proceeds	132,000.00
GST refund	11,656.00
Insurance refund	35,695.59
Pre-appointment debtors	116,396.77
Reimburse operational expenses	753,972.80
Sundry receipts	51.55
<b>Total receipts</b>	<b>1,120,071.69</b>
Advertising	(8,875.50)
Bank charges	(40.00)
Car park expense	(587.20)
Consulting fees	(16,704.87)
Distribution to secured creditor	(89,765.33)
Employee allowances	(4,033.65)
Exchange rate adjustment	(2,681.79)
GST Paid	(22,167.00)
Insurance	(18,752.19)
IT and internet expense	(69,736.39)
Legal fees	(5,177.83)
Liquidators' disbursements	(74,327.30)
Reimburse operational expenses	(8,201.99)
Link Market Services	(167,326.37)
Rent and rates	(219,806.69)
Stamp duty	(196.06)
Storage costs	(335.57)
Sundry expenses	(179.00)
Superannuation paid	(20,110.59)
Telephone expenses	(14,162.36)
Utilities	(11,150.70)
Wages	(274,864.36)
<b>Total Payments</b>	<b>(1,029,182.74)</b>
<b>Net receipts and payments</b>	<b>90,888.95</b>

### Australian School of Management Pty Ltd (In Liquidation)

ACN 138 545 605

<b>Account</b>	<b>\$ incl. GST</b>
Pre-appointment debtors	2,710,695.53
Sundry receipts	50.00
<b>Total receipts</b>	<b>2,710,745.53</b>
Legal fees and disbursements	(29,217.71)
Liquidators' fees	(196,634.43)
Reimburse operational expenses	(200,000.00)
Sundry expenses	(89.50)
<b>Total payments</b>	<b>(425,941.64)</b>
<b>Net receipts and payments</b>	<b>2,284,803.89</b>

## Appendix A

Summary of receipts and payments as at 24 September 2017

### Australian College of Applied Education Pty Ltd (In Liquidation)

ACN 099 369 797

<b>Account</b>	<b>\$ incl. GST</b>
Plant and equipment	59,411.91
Pre-appointment debtors	29,475.72
Receipt for server access	10,000.00
Sundry receipt	50.00
<b>Total receipts</b>	<b>98,937.63</b>
Auctioneers' costs	(14,957.34)
Distribution to secured creditor	(29,611.08)
Liquidators' fees	(39,101.83)
<b>Total payments</b>	<b>(83,670.25)</b>
<b>Net receipts and payments</b>	<b>15,267.38</b>

### Careers Australia Education Institute Pty Ltd (In Liquidation)

ACN 120 675 505

<b>Account</b>	<b>\$ incl. GST</b>
Business sale	1,107,345.00
Net GST / PAYG refund	17,102.00
Plant and equipment	751,708.19
Pre-appointment debtors	227,903.18
<b>Total receipts</b>	<b>2,104,058.37</b>
Auctioneers' fees	(243,139.87)
Distribution to secured creditor	(914,265.60)
Legal fees and disbursements	(79,050.42)
Liquidators' disbursements	(510.31)
Refunds	(3,400.20)
Reimburse operational expense	(274,193.64)
Sundry expense	(447.50)
<b>Total payments</b>	<b>(1,515,007.54)</b>
<b>Net receipts and payments</b>	<b>589,050.83</b>

### Careers Australia Institute of Training Pty Ltd (In Liquidation)

ACN 010 994 582

<b>Account</b>	<b>\$ incl. GST</b>
Business sale	165,000.00
Plant and equipment	778,327.27
Pre-appointment debtors	952,212.22
<b>Total receipts</b>	<b>1,895,539.49</b>
Auctioneers' fees	(53,546.86)
Distribution to secured creditor	(141,535.91)
Hire and leasing	(685.58)
Legal fees and disbursements	(30,480.55)
Liquidators' disbursements	(149.05)
Liquidators' fees	(152,768.45)
Refund	(147.20)
Reimburse operational expense and asset proceeds	(824,226.22)
Sundry expense	(268.50)
<b>Total payments</b>	<b>(1,203,808.32)</b>
<b>Net receipts and payments</b>	<b>691,731.17</b>

**Appendix A**

Summary of receipts and payments as at 24 September 2017

**Workstar Pty Ltd (In Liquidation)**

**ACN 097 871 933**

<b>Account</b>	<b>\$ incl. GST</b>
Business sale	336,139.79
Pre-Appointment Debtors	377,326.46
Receipt for access to data room	5,000.00
<b>Total receipts</b>	<b>718,466.25</b>
Business sale settlement adjustment	(1,945.90)
Distribution to secured creditor	(159,645.00)
Legal fees and disbursements	(41,307.38)
Liquidators' disbursements	(204.58)
Liquidators' fees	(96,659.66)
Net GST / PAYG payment	(30,433.00)
Reimburse operational expense	(50,000.00)
Rent and rates	(36,434.06)
Sundry expenses	(38.00)
<b>Total payments</b>	<b>(416,667.58)</b>
<b>Net receipts and payments</b>	<b>301,798.67</b>

**Global Learning Support Group Pty Ltd (In Liquidation)**

**ACN 169 155 480**

<b>Account</b>	<b>\$ incl. GST</b>
Receipt	50.00
<b>Total receipts</b>	<b>50.00</b>
<b>Total payments</b>	<b>Nil</b>
<b>Net receipts and payments</b>	<b>50.00</b>

**Cumulonimbus Investments Pty Ltd (In Liquidation)**

**ACN 169 444 213**

<b>Account</b>	<b>\$ incl. GST</b>
Receipt	50.00
<b>Total receipts</b>	<b>50.00</b>
<b>Total payments</b>	<b>Nil</b>
<b>Net receipts and payments</b>	<b>50.00</b>

**Today Corp Ltd (In Liquidation)**

**ACN 101 631 485**

<b>Account</b>	<b>\$ incl. GST</b>
Receipt	100.00
<b>Total receipts</b>	<b>100.00</b>
<b>Total payments</b>	<b>Nil</b>
<b>Net receipts and payments</b>	<b>100.00</b>

**Appendix A**

Summary of receipts and payments as at 24 September 2017

**Careers Australia College of Healthcare Pty Ltd (In Liquidation)**  
**ACN 007 963 340**

<b>Account</b>	<b>\$ incl. GST</b>
Receipt	50.00
<b>Total receipts</b>	<b>50.00</b>
<b>Total payments</b>	<b>Nil</b>
<b>Net receipts and payments</b>	<b>50.00</b>

**Careers Australia Institute of English Pty Ltd (In Liquidation)**  
**ACN 010 994 582**

<b>Account</b>	<b>\$ incl. GST</b>
Receipt	100.00
<b>Total receipts</b>	<b>100.00</b>
<b>Total payments</b>	<b>Nil</b>
<b>Net receipts and payments</b>	<b>100.00</b>

**Stratocumulus Pty Ltd (In Liquidation)**  
**ACN 611 961 196**

<b>Account</b>	<b>\$ incl. GST</b>
Receipt	50.00
<b>Total receipts</b>	<b>50.00</b>
<b>Total payments</b>	<b>Nil</b>
<b>Net receipts and payments</b>	<b>50.00</b>