

Co Info Pty Ltd (In Liquidation)

ACN 165 442 026

Statutory report to creditors

12 June 2020

Executive Summary

We refer to the appointment of Philip Carter, Daniel Walley and Andrew Scott as Joint and Several Administrators of the Company on 24 November 2019 and their subsequent appointment as Liquidators of the Company on 13 March 2020 at the Second Meeting of Creditors.

This report refers to our Administrators' Report to Creditors dated 5 March 2020 (**Administrators' Report**) and our Initial Information to Creditors regarding the liquidation dated 23 April 2020.

For the avoidance of any doubt, this report adopts the glossary of the Administrators' Report.

Copies of both reports can be located at:

<https://insolvency.pwc.com.au/singleEntityCases/co-info-pty-ltd-in-liquidation/casePage>

The purpose of this report is to:

- provide you with an update on the progress of the liquidation
- advise you of the likelihood of a dividend being paid in the liquidation.

In reviewing this Report, creditors should note:

- This Report is based upon our preliminary investigations to date. Any additional material issues that are identified subsequent to issuing this Report may be the subject of a further reports.
- The contents of this Report are based on information obtained from the Company's books and records, financial systems, representations from the directors, key management, third parties and our own enquiries and investigations.
- The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading.
- Neither the Joint and Several Liquidators, PricewaterhouseCoopers nor any member or employee of the firm is responsible in any way whatsoever to any person in respect of any errors in this Report arising from incorrect information provided to us.
- The Joint and Several Liquidators do not assume or accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of the circulation, publication, reproduction or any use of the information presented in this Report.
- This Report is not for general circulation, publication, reproduction or any use other than to assist creditors in evaluating their position as creditors of the Company and must not be disclosed without the prior approval of the joint and several liquidators.

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A – Summary of receipts and payments

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1 Overview of the liquidation

We have proceeded with the conduct of the Liquidation which primarily concerns continuing our investigations into the Company's affairs, liaising with litigation funders and attempts at collecting the remaining debtors of the Company.

1.1 What happened to the business of the Company?

The Company ceased trading prior to our appointment as Administrators. Further details of what occurred to the business of the Company prior to our appointment is located in our Administrators' Report.

1.2 Estimated Outcome Statement

Below is an updated Estimated Outcome Statement based on our analysis conducted in the Administrators' Report.

(\$'000)		Notes	Liquidation	
			Low \$	High \$
Circulating assets:				
	Cash at bank at appointment	1	1	1
	Pre-appointment Debtors	2	776	912
	Other receipts	3	16	16
	Total circulating assets		793	930
Less	Administrators' costs	4	(165)	(165)
	Legal fees paid	5	(2)	(2)
	Contingency for legal fees and other disbursements	6	(25)	(10)
	Provision for Liquidators' costs of conducting the Liquidation unrelated to activities funded by litigation funding	7	(100)	(100)
	Total circulating assets available for distribution to APAAP secured creditors		501	652
	APAAP secured creditor claims	8	(13,025)	(13,025)
	Return to APAAP secured creditors from circulating assets (cents in the dollar)		3.85	5.01
Liquidator recoveries:				
	Insolvent trading and other claims	9 Section 2.2	Nil	4,361
	Total other assets			4,361
Less	Liquidators' costs associated with recovery actions (inclusive of legal fees)	10	-	(1,750)
	Total other assets less costs		-	2,611
Less	Unsecured creditor claims:			
	Trade creditors	11	(4,703)	(4,703)
	Shortfall from secured creditors	12	(10,024)	(9,873)
	Return to unsecured creditors (cents in the dollar)		Nil	17.91
	Distribution Timing to unsecured creditors		N/A	24-36 Months

Based on the assumptions detailed in the notes below, the 'high' case liquidation scenario provides for an estimated return to unsecured creditors of 15 cents in the dollar, with a 'low' case scenario of 0 cents in the dollar.

Notes

- 1 Refer to section 6.3 of the Administrators' Report
- 2 We have collected a total of \$776k from pre-appointment debtors and another \$136k remains collectable from one debtor. We are in contact with the debtor regarding payment of this amount, but payment has not yet been forthcoming.
- 3 Other receipts comprise an anticipated GST refund of \$15k and sundry receipts of \$1k.
- 4 Our remuneration approved by creditors and paid for the Administration period was \$165k.
- 5 We have paid a total of \$2k in legal fees to date.
- 6 We have allocated contingency funds of \$25k to cover costs of the liquidation that will not be funded by a litigation funder, for example, unfunded legal fees and sundry disbursements.
- 7 We estimate the cost to complete our statutory obligations and investigations in the liquidation to be \$100k excluding GST. This amount excludes any time committed to liquidator recovery actions, such as actions brought against Directors and Officers, as this would be dealt with separately under a litigation funding agreement.
- 8 Refer to section 6.3 of the Administrators' Report.
- 9 Insolvent trading and other claims include any potential claim for breach of directors duties, which is subject to National Australia Bank's security. A successful claim for breach of directors duties has the effect of reducing and claim of insolvent trading and is payable to National Australia Bank in priority to unsecured creditors, which is not shown in the above table.
- 10 We estimate the costs of recovery of actions brought against Directors and Officers to be up to \$1.75m, being approximately 40% of the value of the recovery. This is because liquidation costs in recovering these types of claims may be significant due to the time costs associated with preparing for and attending Court for proceedings.
- 11 We are aware of 38 potential unsecured creditors to the value of \$4.7m.
- 12 To date, we have paid \$500k from the Company and \$2.5m from UCBL in dividends to the Secured Creditor. This will reduce the Secured Creditor's claim to \$10m. The Secured Creditor's current estimated remaining claim is \$10.02m at a low estimate and \$9.87m in a high scenario accounting for dividends already paid by both UCBL and the Company and anticipated future dividends from the Company to the Secured Creditor.

1.3 Report of company Activities and Property (ROCAP)

Please refer to section 6.3 of the Administrators' Report for detailed analysis of the directors' ROCAPs.

1.4 Liquidators' receipts and payments

Attached at **Annexure A** are details of the receipts and payments in this liquidation up to the date of this report.

2 Investigations undertaken

We have continued with our investigations into the Company's affairs and provide an update on all relevant matters below. For full details on our preliminary investigations into the Company's affairs and the claims we have identified, please consult section 7 of our Administrators' Report.

2.1 Letter of Demand

We have issued a letter of demand against the directors of the Company with respect to insolvent trading for \$4.4m and other claims we consider valid.

Due to the on-going and commercially sensitive nature of this matter, we are unable to provide full details of the claims in this report.

2.2 Litigation funding

We are in advanced discussions with multiple litigation funders regarding the possibility of funding certain claims we have identified against the directors and officers of the Company.

We intend to present funding options to the COI for its consideration and approval of the most appropriate option.

2.3 Further investigations to be undertaken

We plan to undertake the following further investigations:

- Finalise our discussions with litigation funders and have the COI approve the most appropriate funding option
- Continue with our investigations and recovery actions of the claims which we have identified to pursue, including but not limited to insolvent trading
- Finalise our investigations into potential preference payments made to creditors.

3 Likelihood of a dividend

The likelihood of a dividend being paid to creditors will be affected by a number of factors including:

- the size and complexity of the liquidation
- the amount of assets realisable and the costs of realising those assets
- the statutory priority of certain claims and costs
- the value of various classes of claims including secured, priority and unsecured creditor claims
- the volume of enquiries by creditors and other stakeholders.

As set out in our Administrators' Report, the Secured Creditor was owed c.\$13.02m at our appointment and ranks ahead of general unsecured creditors in the statutory priority of claims. To date, we have paid a total of \$500k of Administration proceeds in dividends to the Secured Creditor from the Company and \$2.5m from UCBL, this leaves their estimated current exposure at c\$10.02m. We expect the Secured Creditor to prove as an unsecured creditor in the liquidation for the balance it is owed.

We are unable to provide a dividend estimate of any certainty to unsecured creditors at this stage of the liquidation. If a dividend will be available, we will advise creditors. Any dividend payable to unsecured creditors is contingent on the successful recovery of the Liquidator Claims which we have identified.

4 Committee of Inspection

At the Second Meeting of Creditors held 13 March 2020, the creditors voted to elect a Committee of Inspection (**COI**).

A COI is a subset of creditors and has certain powers as outlined in our Administrators report.

The COI consists of the following creditors:

- Cengage Learning Australia Pty Ltd
- Oxford University Press
- Pearson Australia Group
- Wolters Kluwer Australia Pty Ltd
- Penguin Random House Australia Pty Ltd T/A United Book Distributors

We intend to hold the first COI meeting for the liquidation of the Company once we have all litigation funding proposals finalised for COI to consider.

5 Cost of the liquidation

At the Second Meeting of Creditors in the Administration, we chose to seek creditor approval of our remuneration in the Administration only and we are not currently seeking approval for our remuneration in the Liquidation.

We will report to the COI for future approval requests for our remuneration in the Liquidation.

6 What happens next?

We will proceed with the liquidation, including:

- pursuing the remaining debtor
- completing our investigations into the Company's affairs
- pursuing the claims we have identified and made demands on
- completing our reporting to the corporate regulator, the Australian Securities and Investments Commission (**ASIC**)
- completing tasks to declare and pay a dividend to the Secured Creditor
- dealing with any other matters relevant to the liquidation.

If we receive a request for a meeting that complies with the guidelines set out in the initial information provided to you, we will hold a meeting of creditors.

We expect to have completed this liquidation within 24-36 months.

7 What to do next?

If you have not already done so, please submit a Form 535 - Proof of debt (**POD**) in the liquidation. A copy of this form is included at **Annexure B**. Please note, if you have previously submitted a POD, you are not required to resubmit one.

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

- Australian Restructuring Insolvency and Turnaround Association at <https://www.arita.com.au/creditors>
- ASIC at <https://asic.gov.au/> (search for “insolvency information sheets”).

DATED this 12th day of June 2020.



Phil Carter
Liquidator

Date of appointment:	13 March 2020
Contact name:	Harrison Stanton
Telephone number:	+61 2 8266 3312
Email:	harrison.stanton@pwc.com

Annexures

Annexure A Summary of receipts and payments

Annexure B Proof of debt form

Annexure A – Summary of receipts and payments

Summary of Liquidators' Receipts and Payments 13 March 2020 to 10 June 2020

	\$ (inc GST)
Receipts	
Transfer from the Administration account	781,576
Interest income	64
Total receipts	781,640
Payments	
Administrators' fees and disbursements	(165,121)
Return of funds received in error	(5,369)
Distribution to Secured Creditor	(500,000)
Total payments	(670,489)
Closing cash at 10 June 2020	111,151

Annexure B - Proof of debt form

FORM 535
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Liquidators of Co Info Pty Ltd (In Liquidation) (**the Company**)

1. This is to state that the Company was on 24 November 2019, and still is, justly and truly indebted

to(**creditor**)
(name of creditor)

of
(address of creditor)

for \$.....

Particulars of the debt are:

Date (date when the debt arose)	Consideration (state how debt arose and attach supporting documentation)	Amount (\$)	Remarks (include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following
(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount (\$c)	Due Date

*3A. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3B. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

** Items 3A & 3B - delete both if the creditor is a natural person and this proof is made by the creditor personally. In other cases, if, for example, you are the director of a corporate creditor or the solicitor or accountant of the creditor, you sign this form as the creditor's authorised agent (delete item 3A). If you are an authorised employee of the creditor (credit manager etc), delete item 3B.*

I have attached the following documents (tick as many as appropriate):

- | | | | |
|---|---|---|---|
| <input type="checkbox"/> Invoices | <input type="checkbox"/> Judgement from Court | <input type="checkbox"/> Letters of demand | <input type="checkbox"/> Orders from Company |
| <input type="checkbox"/> Monthly statements | <input type="checkbox"/> Statutory demand | <input type="checkbox"/> Credit application | <input type="checkbox"/> Guarantee from Company |
| <input type="checkbox"/> Creditors authority letter | <input type="checkbox"/> Other documents | | |

Complete all sections

Dated/...../..... NameSignatory.....

Phone Email address.....