

**Co Info Pty Ltd
(Administrators Appointed)
ACN 165 442 026**

Administrators:

Philip Patrick Carter

Daniel Austin Walley

Andrew John Scott

Voluntary Administrators' report

5 March 2020



Glossary

Abbreviations	Definitions
About3	About3 Pty Ltd
Act	Corporations Act 2001 (Cth)
Administrators	Philip Patrick Carter, Daniel Austin Walley, Andrew John Scott
AEDST	Australian Eastern Daylight Savings Time
APAAP	All present and after-acquired property, a term associated with security interests under the PPSA
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
COI	Committee of Inspection
Company	Co Info Pty Ltd (Administrators Appointed)
Deed	Deed of Company Arrangement
Directors	The directors of the Company referred to in Section 4.2
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code.
DOA	Date of appointment of Administrators – 24 November 2019
FEG	Fair Entitlements Guarantee, a scheme administered by the Attorney-General's Department to provide assistance to employees owed outstanding employee entitlements following the insolvency/bankruptcy of an employer
FY	Financial Year (e.g. the financial year 1 July 2018 to 30 June 2019 would be expressed as FY19)
GSA	General Security Agreement
IPR	Insolvency Practice Rules (Corporation) 2016
k	Thousand
M	Million
Mr O'Connor	Garry O'Connor – General Manager of the Company
NSW	New South Wales
PPSA	Personal Property Security Act 2009 (Cth)
PPSR	Personal Property Securities Register – a register set up under the PPSA for the registration of security interests
ROCAP	Report on Company Activities and Property
Report	This report, prepared pursuant to Insolvency Practice Rule 75-225 and section 439A of the Act about the business, property, affairs and financial circumstances of the Company
s	Section of the Act
Second Meeting	Meeting held pursuant to Insolvency Practice Rule 75-225 and s439A of the Act where creditors determine the future of the Company
UCBL	University Co-operative Bookshop Limited (Administrators Appointed)
YTD	Year to date, a period starting from the beginning of the current financial year and continuing up to a defined date (e.g. monthly management accounts from 1 July 2018 to 31 January 2019 would be expressed as 'YTD January 2019')

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Appendix A – Notice of meeting of creditors

Appendix B – Proxy form

Appendix C – Proof of debt form

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1. Disclaimer

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 written report and/or tabled at the Second Meeting.
- 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, 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. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any amended or additional information which may be provided to us between the date of this Report and the date of the Second Meeting.
- In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditor claims. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. While the forecasts and estimates are based on the Administrators' best assessment in the circumstances, creditors should note that the eventual outcome for creditors may differ from that estimated in this Report.
- Neither the Administrators, 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 Administrators 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 Administrators.

Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2. Executive summary

2.1. Appointment background

Philip Carter, Daniel Walley and Andrew Scott of PricewaterhouseCoopers, One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, were appointed Joint and Several Administrators of the Company and the UCBL on 24 November 2019 by the directors under s436A of the Act.

2.2. Report's purpose

This Report is prepared for the purpose of the Company and the Second Meeting of creditors for the Company only. The Administrator's Report to Creditors for the UCBL (the Company's 100% shareholder) will be released separately at a later date.

The purpose of this report is to table the findings of our investigations into the Company's business, property, affairs and financial circumstances, and our opinion on the three options available to creditors in deciding the future of the Company.

2.3. Administrators' opinion

Under the Act, creditors theoretically have three options to choose between in order to determine the Company's future:

1. The administration to end with control of the Company reverting to the Directors. It is evident that the Company is insolvent and this would be inappropriate in the present circumstances
2. Consent to the Administrators executing a Deed of Company Arrangement (**Deed**). A Deed has not been forthcoming and this option is unavailable to creditors
3. Wind up the Company (ie. place it into liquidation). This is the only option available to creditors at the date of this report.

We are of the opinion that it is in the best interest of creditors that the Company be wound up (ie placed into liquidation).

2.4. Second meeting of creditors

The Second Meeting of creditors (**Second Meeting**) will be held on:

Date:	Friday, 13 March 2020
Registration:	1:30pm AEDST
Meeting time:	2pm AEDST
Location	PricewaterhouseCoopers Level 17, One International Towers Sydney Watermans Quay Barangaroo, NSW, 2000

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix B** and **Appendix C**.

- Form 532 – Appointment of Proxy
- Proof of Debt form.

Forms must be submitted by no later than 4.00pm AEDST on Thursday, 12 March 2020 to this office or by email to harrison.stanton@pwc.com.

2.5. Deed of Company Arrangement

We have not received any Deed proposals for the Company and therefore the option for creditors to vote in favour of a Deed proposal is unavailable.

2.6. Estimated return to creditors

We estimate creditors' returns under a 'high' and 'low' case liquidation scenario will be:

Creditor type	Liquidation Low Cents in the dollar	Liquidation High Cents in the dollar
Secured creditors	2.9	5.1
Unsecured creditors	Nil	15.3

2.7. Offences and liquidation recoveries

Our preliminary view is that the Company may have been insolvent from around June 2019, when it was determined to divest the Company's assets and the Company ceased paying its creditors on a timely basis while diverting funds to UCBL in circumstances where UCBL was unable to repay the funds advanced.

Our preliminary investigations have identified potential offences and liquidation recoveries including:

- voidable transactions that a liquidator may investigate further
- trading whilst insolvent
- breaches of directors' duties.

2.8. Administrators' overview

2.8.1. Conduct of administration

Since our appointment we have:

- Conducted investigations into the sale of the Company's business and assets to About3
- Conducted investigations into the financial affairs of the Company and any liquidation recoveries
- Recovered \$776k in debtors

2.8.2. Company financial background

- The books and records of the Company are incomplete and contain materially misstated items
- The majority of sales in FY19 (94%) were made to Bookrock and Super Book Traders
- The assets (excluding cash and debtors) of the Company were sold on 25 September 2019 to About3
- A misclassification of *Current Liabilities* appears to have resulted in net assets at the DOA being overstated by c.\$2.2M

2.8.3. Reasons for the Company's difficulties

We consider that the following factors are key to the Company's difficulties:

- Surplus funds generated from trading were diverted to UCBL (by intercompany loan) to meet cash flow shortfalls of the UCBL businesses.
- At completion of the sale of business (25 September 2019) the Company had total assets of \$2.45M available to discharge \$6.26M of trade creditors according to its management accounts. It could only pay its debts with the assistance of UCBL.
- The Company's solvency relied on a significant asset, an intercompany loan from UCBL (\$3.1M at 24 November 2019)
- UCBL was not able to repay its intercompany loan to the Company. As a consequence, the Company was unable to pay its debts
- The failure of UCBL crystallised the Company's liability under the guarantee of UCBL's bank facility.

2.9. Remuneration

We are seeking approval for our remuneration at the Second Meeting as summarised below:

Period	Amount (excluding GST) (\$)
Voluntary Administration	
Resolution 1: 24 November 2019 to 29 February 2020	\$115,284.50
Resolution 2: 1 March 2020 to the conclusion of the Administration*	up to \$34,715.50
Liquidation	up to \$250,000.00
Resolution 3: 13 March 2020 to the conclusion of the Liquidation*	

*Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Prospective Liquidators' remuneration will not be sought if creditors elect to form a Committee of Inspection (**COI**), as the COI can approve remuneration in the liquidation.

Please refer to our Remuneration Report at **Appendix D** for full details of key activities undertaken by us, our partners and staff and the remuneration approval sought.

3. Introduction

3.1. Appointment information

Philip Carter, Daniel Walley and Andrew Scott of PricewaterhouseCoopers, One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, were appointed Joint and Several Administrators of the Company and the UCBL on 24 November 2019 by the Directors under s436A of the Act.

3.2. Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)

Our DIRRI was provided in our initial report to creditors dated 26 November 2019. The DIRRI discloses information regarding any prior personal or professional relationships the Administrators and PricewaterhouseCoopers had with the Company or related parties, our independence and any indemnities received relating to this appointment.

3.3. Report's purpose

Administrators are required to investigate a company's business, property, affairs and financial circumstances and report to creditors on:

- the administrators' opinion on the options available to creditors, being that the:
 - company be wound up (liquidation)
 - company execute a Deed
 - administration should end as the company is solvent (with control of the company reverting to the company's directors).
- the outcome of investigations into the company's affairs
- the activities undertaken in the administration.

The administrators' opinion on the options available considers the estimated return to creditors and the outcome of investigations conducted.

3.4. Purpose of second meeting

The Second Meeting will:

- address the contents of this Report
- respond to questions from creditors
- determine the company's future by resolving one of the three (theoretically) available options
- seek approval of:
 - Administrators' remuneration
 - future remuneration of the liquidators or deed administrators (as applicable)
 - should creditors desire, the formation of a Committee of Inspection (**COI**)

The current Administrators automatically become the Deed Administrators or Liquidators unless creditors resolve to replace them

The options available to creditors and the Administrators' opinion on each option are set out in detail in **Section 11**.

We recommend that the Company be wound up (ie. be placed into liquidation).

3.5. Second meeting details

The Second Meeting will be held on Friday, 13 March 2020 at 2.00pm AEDST. Formal notification Form 529 – Notice of Meeting of Creditors is attached at **Appendix D**.

The Act stipulates the timing of the Second Meeting. Generally, the Second Meeting must be convened between 15-25 business days (or 20-30 business days at Christmas and Easter) from the date the administration begins. The Court may extend the convening period if circumstances require.

We successfully applied to the Supreme Court of NSW on 17 December 2019 to have the convening period extended until 20 March 2020. We sought the convening period extension in order to provide the Administrators with sufficient time to:

- conduct investigations into the Company
- allow the Directors to formulate a Deed if so desired. We note no Deed has been forthcoming.

3.6. Meeting registration

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at Appendix B and Appendix C.

Registration forms	Information
Form 532 – Appointment of Proxy	<p>A new proxy form is required to be completed for each creditors' meeting (ie previous meeting proxy forms are invalid for the Second Meeting).</p> <p>If a corporate creditor wants to be represented at the Second Meeting, it must appoint an individual to act on its behalf by providing an executed proxy form.</p> <p>Individuals may choose to appoint a representative to vote on their behalf by executing a proxy form. If an individual is attending in person a proxy form is not required.</p>
Proof of Debt or Claim Form	<p>This form is required to be completed to entitle a creditor to vote at the Second Meeting. Documents to support the amount claimed (e.g. unpaid invoices) must also be provided.</p> <p>There is no requirement to resubmit a proof of debt form if previously provided unless the amount claimed has changed.</p> <p>Please take care when completing the form to ensure the correct party is named as the creditor. As an example, this may include XYZ Pty Ltd as trustee for the ABC Family Superannuation Fund.</p>

Forms must be submitted no later than 4:00PM Thursday, 12 March 2020 to Harrison Stanton by email to harrison.stanton@pwc.com

Only creditors of the Company are entitled to vote at the Second Meeting.

Creditors are encouraged to arrive as early as possible after the registration time to enable the orderly registration of attendees so that the meeting can commence on time.

3.7. Committee of Inspection (COI)

Creditors may wish to establish a COI at the Second Meeting, typically to assist and guide the liquidator or deed administrator (as applicable). A minimum of two members is required to form a COI.

A COI consisting of five creditors was formed at the first meeting of creditors. Further details are provided in section 5.1.

We recommend that creditors establish a COI regardless of whether the creditors resolve to wind up the Company or that it executes a Deed.

Creditors should consider whether they are in a position to be a COI member, as membership of a COI requires attendance at meetings (telephone facilities will be available, so members do not have to attend in person). Members of the COI must have regard for the creditor group's interest, not their own interests.

Importantly, for a creditor to be eligible for appointment as a member of a COI, they must either:

- be in attendance at the Second Meeting
- appoint a general power of attorney to attend the Second Meeting on their behalf
- authorise a person in writing to be a member of the COI on their behalf.

3.8. Further information

To assist creditors, employees, and shareholders to understand the voluntary administration process, ASIC has released a package of insolvency information sheets endorsed by ARITA.

Enclosed at **Appendix E** is ASIC's publication *Insolvency information for directors, employees, creditors and shareholders*, which provides an index of all the information sheets that are available. You can download these information sheets from:

- www.asic.gov.au
- www.arita.com.au

4. Company background

4.1. Company overview

The Company was incorporated on 22 August 2013 and is a wholly owned subsidiary of UCBL. We understand that shortly after incorporation, the Company acquired assets from DA Information Services Pty Ltd through an external administration.

The Company operated a business as a supplier of full-service academic libraries, providing books, journals, eBooks and eMedia products from publishers worldwide for the academic, corporate, professional and library markets in Australia, New Zealand, Fiji and Papa New Guinea.

On 13 June 2019, the Directors made a decision at the UCBL Board Strategy Meeting to sell the Company's business.

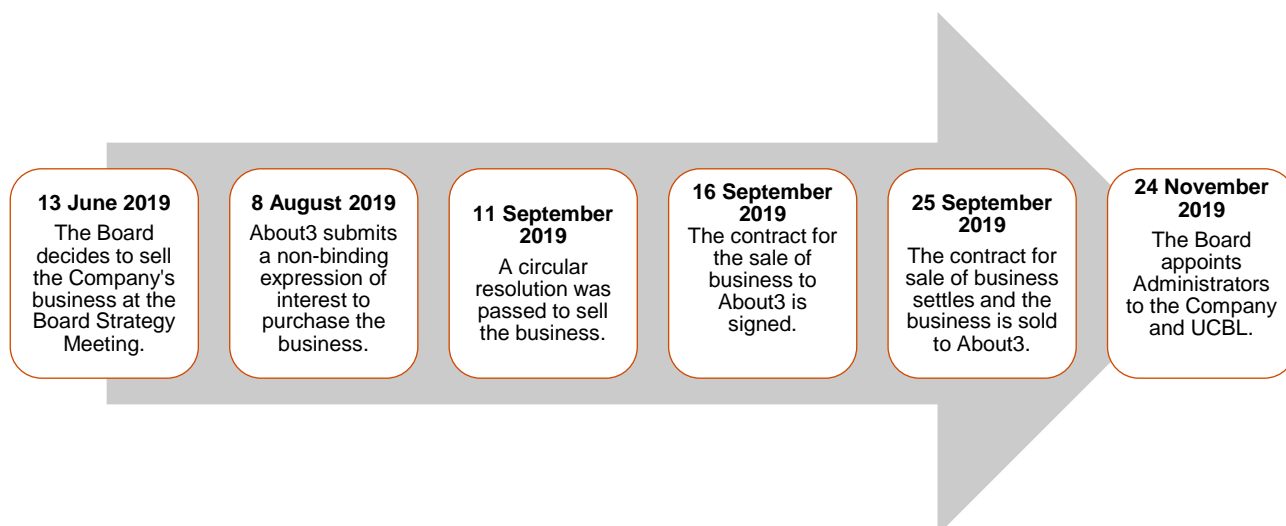
On 25 September 2019, the Company sold its business to About3 Pty Ltd as a management buyout. Further information on the Sale is provided in **Section 8.1.1**.

The Company previously used the website <https://coinfo.com.au/> that was sold to About3 on 25 September 2019.

The Company employed 15 people until 25 September 2019 and operated from leasehold premises located at 12B Koornang Road, Scoresby Victoria 3179.

Information regarding the Company's financial background is discussed in **Section 6**

Outlined below is a brief timeline of key recent events in the Company's history.



4.2. Statutory information

A search of ASIC's database reveals the following details of the Company and its Directors, other officers and shareholder.

Company details	
Date of incorporation	22 August 2013
Registered office	12B Koornang Road, Scoresby, VIC 3179
Principal place of business	12B Koornang Road, Scoresby, VIC 3179

Directors' details	Appointment from/to
Joseph Merhi	22 August 2013 – current
Dianne Yerbury	22 August 2013 – current
Ekaterina Shkurko	22 August 2013 – current
Bradley Robert Newton	22 August 2013 – current
Steven Keith Jenkins	12 June 2019 – 24 September 2019
Rafic Habib	22 August 2013 – 12 June 2019
Janice Anne Harkins	22 August 2013 – 12 June 2019
Yvonne Mary Howie	22 August 2013 – 12 June 2019
Chris Lim	22 August 2013 – 12 June 2019 (refer to section 4.2.1)
Talal Yassine	22 August 2013 – 22 August 2013 (refer to section 4.2.2)

Secretary's details	Appointment from/to
Lawrence Chen	22 August 2019 – current
Not stated	22 August 2013 – 22 August 2019
Talal Yassine	22 August 2013 – 22 August 2013 (refer to section 4.2.2)

Shareholders	% held	Shareholding details
UCBL	100	One hundred fully paid ordinary shares (total amount paid \$100)

Source: ASIC

We are aware that ASIC's records may not accurately reflect the directors and officers of the Company. A liquidator should investigate the accuracy of ASIC records prior to making any claims against the officers of the Company. We note the below instances where ASIC records may not be accurate.

4.2.1. Chris Lim

Mr Lim wrote to us to advise us that he has never sat on the Company's board of directors and disputed ASIC's record.

4.2.2. Talal Yassine

Talal Yassine was recorded in ASIC's records as the sole director and company secretary from 22 August 2013 until 23 January 2019. On 23 January 2019:

- Talal Yassine signed an ASIC form 484 in his capacity as director of the Company recording the appointment of Dianne Yerbury, Janice Harkins, Ekaterina Shkurko, Bradley Newton, Joseph Merhi, Yvonne Howie, Rafic Habib and Chris Lim as directors with an appointment date of 22 August 2013;
- Joseph Mehri signed an ASIC for 484 in his capacity as a director of the Company recording the resignation of Talal Yassine as director and secretary of the Company with a cessation date of 22 August 2013.

From our review of the Company's records we have not identified any meetings or resolutions of the directors of the Company prior to the appointment of Administrators. Matters pertaining to the Company were considered at directors meetings of UCBL.

A liquidator, if appointed will continue investigating these circumstances.

4.3. Creditors' claims

At our appointment date, the claims of the Company's creditors totalled \$17.7M. The following table summarises estimated claims by each known class of creditor.

Creditor class	Number of creditors	Amount (\$'M)
Secured creditors		
Circulating and non-circulating (APAAP)	1	13.025
Employee entitlements	Nil	Nil
Unsecured creditors		
Trade creditors	31	4.718
Related entities	Nil	Nil
Total creditor claims	32	17.743

These claims may be subject to change.

These amounts have been derived from the:

- Reports on Company Activities and Property (ROCAPs) provided by the Directors (**Section 6.3**)
- Company's books and records
- Formal proof of debt or claim forms submitted by creditors.

4.3.1. Secured creditors

A secured creditor is a creditor that holds a security interest over some or all of a company's assets. To be valid, the security interest must generally be registered on the Personal Property Securities Register (PPSR) or, in the case of land and buildings, at the relevant Land Titles Office. Security interests can be over:

- circulating assets (formerly known as 'floating' assets) e.g. debtors, stock and cash
- non-circulating assets (formerly known as 'fixed' assets) e.g. property, plant and equipment, land, goodwill and rights to dividends.

A search of the PPSR and Victorian Land Titles Office revealed the following security interests registered over the Company's assets:

Creditor class	Number of creditors	No. of security interest(s)	Amount (\$'M)
APAAP*	1	1	13.025
Motor vehicle(s)	1	2	Nil
Other goods	9	13	3.302
Total creditor claims	11	16	16.327

** All present and after-acquired property – with exceptions (APAAP) held by National Australia Bank*

4.3.2. Employees

We are not currently aware of any outstanding employee entitlements owed by the Company.

In the event they exist, outstanding employee entitlements have a statutory priority for payment over other unsecured creditors (and over secured creditors in respect of the proceeds of circulating asset realisations).

As we do not believe any employee entitlements are owed by the Company, we do not believe FEG payments will be required.

4.4. Unsecured Creditors

At the date of our appointment, the known claims of the Company's unsecured creditors totalled \$4.7M as follows:

Creditor class	No of creditors	Estimated amount (\$'M)
Trade/External creditors	31	4.718
Related entitles	Nil	Nil
Total creditor claims	31	4.718

These figures are derived from the Company's books and records/Directors' ROCAPs and our estimates based on new information received.

The Company's top 10 unsecured creditors in value are:

No.	Creditor name	Estimated amount owing per Company records, ROCAP or POD (\$'000)	% of unsecured claims
1	Cengage Learning Australia Pty Ltd*	2,605,070	55.22
2	Pearson Australia Group Pty Ltd*	1,211,693	25.68
3	United Book Distributors*	449,298	9.52
4	Axadia	171,417	3.63
5	Oxford University Press*	83,502	1.77
6	McGraw-Hill Australia Pty Ltd	75,872	1.61
7	Ebooks Corporation Limited	62,973	1.33
8	Thomson Reuters (Professional) Australia Ltd	17,703	0.38
9	Elsevier Australia	13,434	0.28
10	Wolters Kluwer Legal & Regulatory U.S.*	11,058	0.23
Total of top 10		4,702,018	99.66
Total unsecured creditors		4,718,014	100

* Represented on COI. Further details are set out in section 5.1.

We have not identified any related party creditors.

5. Conduct of administration

5.1. First meeting of creditors

The first meeting of creditors of the Company was held concurrently with the first meeting of creditors of UCBL on 4 December 2019, pursuant to s436E of the Act. A copy of the meeting minutes may be obtained from ASIC's website.

Creditors at the meeting resolved that a Committee of Inspection (**COI**) be formed comprising:

Representative names	Representing
John Durow	Cengage Learning Australia Pty Ltd
Shaun Mazzocchi	Oxford University Press
Bryant Boys	Pearson Australia Group
Bin Li	Wolters Kluwer Australia Pty Ltd
Belinda Worton	United Book Distributors

Two COI meetings have been held during the Administration:

- 12 December 2019 – held concurrently with UCBL COI meeting to discuss the extension to the convening period.
- 28 February 2020 – held to discuss the status of the Administration, investigations to date and the proposed way forward for the Administration, as summarised in this Report.

5.2. Workstreams

The following were the major workstreams conducted in the Administration.

5.2.1. Collection of debtors

To date we have collected a total of \$776k from pre-appointment debtors of the Company.

5.2.2. Investigations

We have conducted extensive investigations into:

- Solvency
- The sale of Co Info
- Potential liquidator recoveries
- Potential breaches of directors' duties
- Governance of the Company.

5.2.3. Deed of Company Arrangement

No Deed proposal from the Directors or any other party has been forthcoming.

6. Company financial background

The financial and tax reporting of the Company was prepared on a consolidated basis with the 100% shareholder, UCBL. The Company reported to UCBL on a monthly basis for this purpose. The Company had reporting year end dates in accordance with UCBL, as follows:

- August 2016
- August 2017
- June 2018
- June 2019

The Company used Xero to maintain financial records from April 2018 to the date of our appointment. Prior to using Xero, we are uncertain of how the accounts were maintained and have not been able to obtain transactional data for this period. We have requested these records from About3 who purchased the books and records of the Company in an asset transaction that occurred on 25 September 2019.

In our review of the financial information to date we have identified instances where there are accounting journals missing from the Company's Xero records. These include:

- Employee wage payments - the Company's employees were managed and paid by UCBL. In our review of Xero, it does not appear that accounting journals were prepared to account for these employee expenses, thus the net profit below is likely overstated. The employee costs paid by UCBL were c.\$1.1M in each of FY18 and FY19 to give an estimate of the amount overstated.
- Corporate overhead allocation – while the Company manages and pays its own overhead costs, UCBL allocate a portion of their corporate overhead costs to the Company that were not recognised in Xero. UCBL allocated 2.69% and 7.44% of Co Info's respective revenue in FY18 and FY19 as a support office cost (or \$1.8M and \$4.2M respectively). UCBL was not able to provide a reconciliation of these costs and how they were actually incurred by the Company. Accordingly, this section does not adjust for this allocation.

We have obtained the Company's divisional management accounts from UCBL. The major variances between UCBL and Xero accounts are set out below.

Reconciliation to UCBL accounts (\$'000)	FY18	FY19	YTD Nov 19
Income (UCBL accounts)	67,428	56,854	6,970
Income (Xero)	55,433	56,854	6,970
Income Variance	(11,994)	Nil	Nil
Cost of Sales (UCBL)	(57,860)	(48,264)	(6,286)
Cost of Sales (Xero)	(47,572)	(48,227)	(6,300)
Cost of Sales Variance	10,288	37	(14)
Labour costs (UCBL)	(1,175)	(1,071)	(131)
Labour costs (Xero)	(52)	(59)	(4)
Labour Costs Variance	1,124	1,012	126

When comparing UCBL records to Xero we note the following:

- **FY18:** Income, costs of sales and labour costs are materially different. We suspect this could be a result of Xero transactional data missing for the period July 2017 to March 2018 and in addition to the labour costs paid by UCBL not being recorded in Xero.
- **FY19:** Labour costs are materially misstated due to the labour costs paid by UCBL not being recorded in Xero.

The missing and unreconciled financial information in the Company's records raises concerns regarding:

- the adequacy of the Company's books and records
- the capability of management
- the governance of the Company.

We have completed a preliminary financial analysis using FY16, FY18, FY19 and year to date November 19 management accounts. We have not been able to obtain FY17 and part of FY18 financial data.

6.1. Company's financial performance/Profit and Loss

Key Comments

- We have concerns regarding the quality and completeness of the financial information, in particular:
 - We have not been provided with financial or management accounts for FY17, a period in which there appears to have been a significant increase in business activity
 - The FY18 Xero records for the Company do not reconcile with UCBL records. This raises concerns regarding the adequacy and accuracy of the financial records
- The Company appeared profitable prior to the asset sale to About3, albeit there is missing data in the Company's records that cannot be reconciled

The Company's financial performance (Profit and Loss), as per the books and records of the Company for the periods ended FY16, FY18 and FY19 and the five months to November 2019, is summarised below:

Profit and Loss (\$'000)	Notes	FY16	FY17	FY18	FY19	YTD Nov 19
Income	1	16,261		55,433	56,854	6,970
Cost of Sales	2	(13,779)		(47,572)	(48,227)	(6,300)
Gross Profit		2,482		7,861	8,628	670
Gross Margin %		15.3%		14.2%	15.2%	9.6%
Interest income and FX gains / losses		38		31	5	6
Other expenses						
Freight and selling cost		(332)		(183)	(162)	(46)
Occupancy		(155)		(68)	(84)	(20)
Labour Costs	3	(1,583)		(52)	(59)	(4)
Other costs		(205)		(99)	(78)	(25)
Net Operating Expenses		(2,276)		(402)	(383)	(95)
Operating Profit		245		7,491	8,250	581
Sale of assets						
Proceed of Business Sale	4	-		-	-	1,850
Cost of Business sold	4	-		-	-	(383)
Net profit on sale of assets		-		-	-	1,467
Depreciation of Plant & Equip		(65)		(60)	(117)	(34)
Net Profit		180		7,431	8,133	2,015

The FY16 P&L was obtained while conducting a historical search of UCBL's emails. It appears to be an extract from UCBL's financial system that has been archived.

FY17 P&L data has not been provided to us to date

Notes

- 94% (or \$53.6M) of FY19 income was generated by two customers, being Bookrock Pty Ltd (\$35M) and Super Book Traders Pty Ltd (\$18.6M).
- The top ten suppliers in FY19 make up 98% of purchases. Of these suppliers, nine are publishers and the remaining one is UCBL.
- The assets of the Company (excluding cash and debtors) were sold on 25 September 2019. Details of the sale are provided in section 8.1.1.
- Other expenses in FY16 appear to be larger in comparison to FY18 and FY19 despite the materially lower sales and gross profit. We note that the records were obtained from different financial systems. We are not aware that the two financial systems were reconciled at any time to confirm the accuracy of the data.

6.2. Company's financial position/Balance Sheet

Key Comments

- We believe the carrying values of UCBL loan and the deferred tax asset have been significantly overstated. Had these assets been valued appropriately, an overall net asset deficiency would have existed since at least FY18.

The Company's financial position (Balance Sheet) in accordance with the books and records of the Company at the end of June 18, June 19, September 19 and November 19 is summarised below:

Balance Sheet (\$'000)	Notes	30 Jun 18	30 Jun 19	30 Sep 19	24 Nov 19
Current Assets					
Cash and cash equivalents	1	371	89	532	(2)
Accounts Receivable		5,949	12,136	1,906	988
Inventory	2	2,927	931	11	-
Prepayments		16	1	-	-
Total Current Assets		9,263	13,156	2,449	987
Non-Current Assets					
Property, Plant and Equipment (carrying value)		314	230	-	-
Goodwill at Cost		43	43	-	-
Deferred Tax Asset	3	88	88	-	-
Other assets		37	52	-	-
Total Non-Current Assets		481	412	-	-
Total Assets		9,744	13,569	2,449	987
Current Liabilities					
Accounts Payable		11,150	15,013	6,258	4,603
Current Liabilities	4	1,400	38	(2,197)	(2,197)
UCBL loan	5	(2,415)	(9,240)	(3,101)	(3,101)
Other liabilities		(60)	(45)	(194)	(2)
Total Current Liabilities		10,075	5,766	765	(698)
Total Liabilities		10,075	5,766	765	(698)
Net Assets		(331)	7,803	1,683	1,684
Equity					
Current Year Earnings		7,431	8,133	2,014	2,015
Issued & paid up capital		386	386	386	386
Retained Profits		(8,148)	(717)	(717)	(717)
Total Equity		(331)	7,803	1,683	1,684

Notes

- Cash and cash equivalents on 24 November 2019 were \$1.2k.
- Inventory free of PPSR registrations of \$11k was sold with the assets of the business to About3. Xero reflects a stock adjustment for the inventory sold on 10 October 2019.
- We consider that the deferred tax asset is overstated in full. Such assets typically represent the future income tax saving likely to arise as a result of the recoupment of carried forward tax losses. The relevant accounting standard requires any such asset to be written off unless the realisation of the benefit is virtually certain. UCBL's history of losses would indicate the reported benefit is unlikely to be realised.
- An asset (negative Current Liability) of \$2.2M was entered in the Company's management accounts at completion of the sale of business. Further details are provided in section 7.3.2.
- UCBL's history of losses would indicate that UCBL loan is not recoverable. The relevant accounting standard requires any such asset to be written off or impaired when recovery is unlikely.

6.3. Directors' Report on Company Activities and Property (ROCAP)

A company director must provide an administrator with a ROCAP outlining the company's business, property, affairs and financial circumstances at the appointment date. The ROCAP should include:

- net asset book values (based on historical financial records)
- estimated asset realisable values
- known liabilities.

The following Directors have provided us with ROCAPs in accordance with their responsibilities under the Act:

- Joseph Merhi
- Bradley Newton
- Dianne Yerbury
- Ekaterina Shkurko

Detailed below, is the information provided in the Directors' ROCAPs, which were identical. ROCAP figures may differ from actual realisable values as:

- net book values are based on historical financial records
- asset values are not market tested
- creditor claims are not yet adjudicated upon and quantified.

	Notes	Directors' ROCAP (\$'000)		Administrators' Estimate (\$'000)
		Book value	Estimated Value	Estimated Value
Assets subject to specific security interests		Nil	Nil	Nil
Relevant secured creditor claims		Nil	Nil	Nil
(Deficit) on specific security interests		-	-	-
Other Assets:				
Interest in land	1	Nil	Nil	Nil
Sundry debtors	2	953	953	919
Cash at bank	3	2	2	1
Stock	4	Nil	Nil	Nil
Surplus / (Deficit) on specific security interests		-	-	-
Sub Total		955	955	920
<i>Less other creditor claims:</i>				
Employees	5	Nil	Nil	Nil
General security interest holders	6	Nil	Nil	13,025
Unsecured creditors	7	4,604	4,604	4,718
Surplus/(Deficiency) to creditors		(3,649)	(3,649)	(16,823)

Notes

1. We are not aware of the Company's interest in any real property assets and our searches of the Victorian and NSW Land Titles Register supports this.

2. The Directors disclosed four debtors to the value of \$953k. To date we have collected \$776k and believe the remaining \$143k after adjustments is not disputed. Details are set out below:

Item	Count	Value \$'000
Debtors per ROCAP	4	953
<i>Less: Credit note adjustments applied post appointment</i>		<i>(34)</i>
Total due to be collected	4	919

3. Directors disclosed there to be cash at bank at appointment to be approximately \$1,600. Cash at bank at appointment was \$1,260.
4. Stock was included in the sale of the Company and there was no stock left on hand at appointment.
5. We understand all employees were transferred under the sale and we are not aware of any employee-related claims that remain with the Company.
6. The NAB provided a secured loan facility to UCBL and holds a GSA over UCBL and the Company's property through cross-guarantee. The current amount owing to the NAB on this facility is \$13.025M.
7. We are aware of 31 unsecured creditors to the value of \$4.7M

7. Investigations

Key Comments

- The Company appears to have been profitable in FY18 and FY19. The Company's practice was to loan its cash generated from trading to its parent UCBL to meet cash flow shortfalls in UCBL.
 - The Company's failure appears to be the result of:
 - The sale of the Company's assets for an amount that was insufficient to meet its outstanding liabilities
 - Its inability to recover the intercompany loan to UCBL
 - The failure of UCBL and crystallisation of the Company's guarantee to NAB
 - We have concerns that certain books and records of the Company appear to be missing (FY17) and a number of transactions and accounting entries do not correctly explain its performance and financial position. However, this is unlikely to give rise to a presumption of insolvency.
 - Our preliminary view is that the Company may have been insolvent from around June 2019 when the recovery of the loan owed by UCBL was doubtful.
-

We have conducted investigations into the reasons for the Company's failure to the extent possible in the available time. Further investigations will be conducted should creditors vote to wind up the Company at the Second Meeting. A liquidator has greater powers to undertake investigations and pursue recoveries than an administrator or deed administrator.

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
- directors, officers, management and key staff members (where available)
- external professional reports, including audit reports
- publicly available information e.g. ASIC.

7.1. Directors' explanation for the Company's difficulties

The directors in the ROCAP have asserted that the Company did not fail and therefore do not attribute a cause of failure.

We have invited the directors to meet with us and assist in our investigations of the Company's affairs. They have not done so.

7.2. Administrators' opinion of the reasons for the Company's difficulties

We disagree with the Directors' stated position that the Company did not fail. We believe the following factors are relevant:

- As outlined in **Section 6.3** above, the ROCAP discloses a deficiency in assets of \$3.65M as at the DOA (excluding the secured debt of \$13.025M owed to NAB).
- At completion of the sale of business (25 September 2019), according to management accounts, the Company had total assets of \$2.45M available to discharge \$6.26M of trade creditors. It could only pay its debts with the assistance of UCBL.
- UCBL was not able to repay its intercompany loan or otherwise pay the shortfall.

7.3. Insolvency

Our preliminary view is that the Company may have been insolvent from around June 2019 for the reasons set out below.

The methods of testing solvency include but are not limited to Cash Flow Tests and Balance Sheet Tests, which are examined below.

A company is insolvent if it is unable to pay its debts as and when they become due and payable.

Liquidators are required to demonstrate that a company is insolvent in order to pursue certain recovery proceedings (**Refer to section 8**).

Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

7.3.1. Cash Flow Test

The Cash Flow Test is a measure of the Company's ability to pay its liabilities from available resources as and when they fell due.

The available books and records indicate that the Company:

- Was profitable in FY18 (\$7.4M) and FY19 (\$8.4M)
- Transferred surplus cashflow to UCBL (\$8.4M between May 2018 and August 2019 plus sale proceeds \$1.8M in September 2019) creating an intercompany loan owed by UCBL to the Company
- As a result the Company was dependent upon future profits or UCBL repaying the loan in order to pay its debts as they fell due

Working capital and net current assets

Working capital is an indicator of liquid assets available to pay debts due within 12 months. A working capital ratio of less than one indicates that a company may not be able to pay its debts as and when they fall due.

Our preliminary analysis of the Company's records relating to working capital and net current assets in the table below did not disclose immediate liquidity issues. However, if the UCBL intercompany loan is removed from current assets, a significant deficiency in working capital is revealed indicating that the Company relied upon UCBL being able to repay the UCBL loan to pay its own debts as they fell due.

	FY18 \$'000s	FY19 \$'000s	Sep 19 \$'000s	DOA \$'000s
Current Assets	8,892	13,068	2,449	953
Current Liabilities	10,075	5,766	765	1,293
Working Capital (Current Assets less Current Liabilities)	(1,183)	7,302	1,152	(343)
Working Capital (without UCBL loan)	(3,598)	(1,938)	(1,949)	(1,448)
Working Capital/Liquidity Ratio (Current Assets/Current Liabilities)	0.95	2.27	2.5	0.74
Working Capital/Liquidity Ratio (Without UCBL loan)	0.71	0.87	0.56	0.40

Short term cash flow forecast

We are not aware that the Company prepared short-term cash flow forecasts.

7.3.2. Balance Sheet test

The Balance Sheet Test assesses the solvency of a company with reference to the company's net asset position (i.e. the level of total assets relative to total liabilities). Whilst generally a cashflow test is more closely aligned with the definition of solvency in the Act, where a Company sells all of its business and undertakings, the Balance Sheet Test become more important as cashflow from ongoing trading activity no longer exists.

Our review of the financial records has found that the Company's reported net asset position varied throughout the period under review. However, at each relevant date in the table below and every month where management accounts exist (April 2018 to November 2019) the balance of UCBL loan exceeds the net assets of the Company.

	FY18 \$'000s	FY19 \$'000s	Sep 19 \$'000s	DOA \$'000s
Total Assets	9,744	13,569	2,449	952
Total Liabilities	10,075	5766	765	1295
Net Assets	(330)	7,803	1,683	(343)
(Total Assets less Total Liabilities)				
UCBL loan	(2,414)	(9,240)	(3,101)	(1,108)
Net Assets without UCBL Loan	(2,744)	(1,437)	(1,418)	(1,451)

In our opinion the Company was insolvent on a balance sheet test in the absence of the recovery of UCBL loan.

Current Liability

We are investigating an entry in the Company's management accounts entered at completion of the sale of business. An amount of \$2.2M was debited to an account styled *Current Liability* at the time of completion of the sale of the Company's business. The effect was to include an asset in the current liabilities section of the balance sheet. However, we have been unable to identify any recoverable asset referable to this accounting entry, resulting in the potential overstatement of net assets.

Mr O'Connor, general manager of the Company and About3, the purchaser of the Company's business, describes this account as COGS (Cost of Goods Sold) running balance. Further "*This account has been used as a rolling account over the years because of how we calculated our margins. Approved by previous GM's Finance and auditors. This amount really should be written off to the P&L and cleared. It is showing as a Dr to liability because we've caught up on processing all our invoices now and this should be the true figure put to COGS.*"

A liquidator will investigate these matters further, should the creditors vote to wind up the Company at the Second Meeting.

7.3.3. Other Indicators of Insolvency

The courts have identified fourteen general indicators of insolvency that are considered further in ASIC Regulatory Guide 217.

Our investigations to date have identified that at least eight of these indicators apply, or may apply, to the Company, as summarised below:

Indicator	Present	Comment
The company has a history of continuing trading losses	No	
The company is experiencing cash flow difficulties	Yes	The Company advanced substantial funds to UCBL, resulting in it being unable to pay its own debts as and when they fell due.
The company is experiencing difficulties selling its stock, or collecting debts owed to it	Yes	The UCBL loan was uncollectable at all relevant times.
Creditors are not being paid on agreed trading terms and/or are either placing the company on cash-on-delivery terms or requiring special payments on existing debts before they will supply further goods and services.	Yes	Cengage, the Company's largest creditor, has five months of invoices outstanding.
The company is not paying its Commonwealth and state taxes when due (e.g. pay-as-you-go instalments are outstanding, goods and services tax (GST) is payable, or superannuation guarantee contributions are payable)	No	
Legal action is being threatened or has commenced against the company, or judgements are entered against the company, in relation to outstanding debts.	No	
The company has reached the limits of its funding facilities and is unable to obtain appropriate further finance to fund operations—for example, through: - negotiating a new limit with its current financier; - refinancing or raising money from another party	Yes	UCBL's facility with National Australia Bank (which the Company was also a guarantor of), was drawn in full. In addition, the UCBL loan receivable was uncollectable by the Company.
The company is unable to produce accurate financial information on a timely basis that shows the company's trading performance and financial position or that can be used to prepare reliable financial forecasts	Yes	The financial information is incomplete and of poor quality, as detailed in Section 6.
Company directors have resigned, citing concerns about the financial position of the company or its ability to produce accurate financial information on the company's affairs	No	
The company auditor has qualified their audit opinion on the grounds there is uncertainty that the company can continue as a going concern	N/A	
The company has defaulted, or is likely to default, on its agreements with its financier	To an extent	UCBL defaulted on the NAB facility on several occasions and the Company did not have the capacity to satisfy its obligations as guarantor of the NAB facility
Employees, or the company's bookkeeper, accountant or financial controller, have raised concerns about the company's ability to meet, and continue to meet, its financial obligations.	Yes	On 18 October 2019, O'Connor advised the CFO of UCBL that the Company was unable to meet its financial obligations without the support of UCBL.
It is not certain that there are assets that can be sold in a relatively short period of time to provide funds to help meet debts owed, without affecting the company's ongoing ability to continue to trade profitably	Yes	The Company's business was sold prior to our appointment. The sale resulted in a shortfall to creditors and the accounts receivable balance was insufficient to meet the accounts payable of the Company.

7.3.4. Proving Insolvency

Further investigations into the date of the Company's insolvency will be conducted by a liquidator should the Company be wound up.

Determining when a company became insolvent can be a costly and complex exercise, involving a detailed review of the company's financial position, cash flow, and other relevant information.

7.4. Legal/class actions

We are unaware of any legal proceedings against the Company.

7.5. Outstanding or previous winding up applications

We are not aware of any outstanding or previous winding up applications against the Company.

7.6. Books and records

Our preliminary view is that during certain periods the Company has not maintained adequate books and records as follows:

- The Company did not prepare stand-alone financial statements (consolidated with UCBL)
- The Company appears to have commenced using Xero accounting software from April 2018 and has management accounts from that time
- The Company has not provided management accounts prior to April 2018
- We have located management accounts in email records for the periods FY15 and FY16 that indicates that financial records may have been maintained at this time
- We have not located any management accounts in the period July 2016 to March 2018 and consider that the Company did not maintain proper records during that time

A company must keep written financial records that:

- correctly record and explain its transactions, financial position and performance
- would enable true and fair financial statements to be prepared and audited
- must be kept for seven years after the transactions covered by the records are completed (s286).

Directors are responsible for ensuring that adequate financial records are maintained. Directors who fail to take all reasonable steps to ensure compliance with this requirement may be subject to a civil penalty order. This includes shadow and de facto directors.

Failure to maintain books and records may give rise to a presumption of insolvency (pursuant to s588E of the Act) (discussed above at **Section 7.3**).

A liquidator (if appointed) will continue investigations into whether any breaches of the Act have occurred in relation to the maintenance of proper books and records, including:

- failure to keep proper financial records (s286)
- failure by directors to take all reasonable steps to comply with financial records reporting requirements (s344)
- failure by directors and officers to exercise a reasonable degree of care and diligence in the exercise of their powers and discharge of their duties (s180)
- whether the presumption of insolvency may apply.

8. Offences and liquidation recoveries

Key Comments

While our investigations are ongoing, we summarise our preliminary findings below:

- We have identified several aspects of the sale process that cause us concern that a liquidator would continue to investigate further
- We have identified several payments to creditors that may be preferential in nature and have not yet concluded this investigation
- We believe the Company may have been insolvent from around June 2019 and may have a claim for \$4.4M in respect of debts incurred since that date and remaining unpaid
- We believe the Directors may have breached their duties to act in the best interests of the Company in advancing funds to UCBL in circumstances where there was no reasonable prospect that UCBL could repay those advances
- We are uncertain of the Directors' ability to pay any claims against them
- A liquidator (if appointed) would continue to investigate whether there may have been offences committed under the Corporations Act.

A liquidator has the ability to pursue certain claims that may result in recoveries for creditors.

Enclosed at **Appendix G** is a *Creditor Information Sheet: Offences, Recoverable Transactions and Insolvent Trading* published by ARITA, which provides general information for creditors on the types of claims that a liquidator can pursue.

8.1. Voidable transactions

The Act requires an administrator to specify whether there are any transactions that appear to the administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under the Act.

8.1.1. Sale of Business

We have investigated the sale of the Company's business to About3. Key events for the sale are below:

Date	Description
13 June 2019	UCBL's Board Strategy Meeting – the UCBL board, consisting of seven individuals, five of which were the Directors at that time, determined it was desirable to divest Co Info to "identify all areas of the business that could potentially provide an immediate positive impact on the cash position of [UCBL]"
June to July 2019	Approached major wholesalers and other interested parties, no interest reported
15 July 2019	Alpin Advisory engaged to prepare limited scope valuation
24 July 2019	Alpin Advisory provided a draft limited scope valuation that valued the Company's business at \$2.2M
30 July 2019	Alpin Advisory provided the final limited scope valuation that valued the Company's business at \$1.8M
8 August 2019	About3 Non-binding expression of interest - \$1.75M. About3 is a company ultimately owned and controlled by O'Connor, at that time the general manager of the Company
13 August 2019	Revised offer of \$1.85M

Date	Description
10 September 2019	Board Package – Non-binding offer has progressed to contract for sale. Expect completion mid-September
11 September 2011	Board circular resolution
16 September 2019	Contract executed
25 September 2019	Settlement

Several aspects of the sale process cause us concern:

1. There is no evidence of the Directors of the Company holding board meetings independently of UCBL or acting specifically in the Company's interest. The decision to sell and timing of the sale appear to have been driven by an urgent need to inject funds into UCBL
2. The business was offered to certain wholesalers and potential interest parties but was not marketed for sale
3. Mr O'Connor was present for those discussions
4. Mr O'Connor drafted the board recommendation for the sale
5. The only offer was from About3, controlled by Mr O'Connor
6. The valuation was not arm's length, being prepared based on the Company's unadjusted budgets and assumptions, including a reallocation of overhead to the Company, management modified assumptions which lowered the valuation
7. On 8 August 2019 Thorsten Wichtendahl declared that he had "difficulty in being completely unbiased" regarding the sale process given his close working relationship with Mr O'Connor for nearly 5 years
8. The net proceeds of sale were not sufficient to discharge all of the Company's debts.

We have not identified a commercial recovery action, however a liquidator (if appointed) would investigate the sale of business further.

8.1.2. Unfair Preferences

The company ceased trading upon settlement of the sale of the business on 25 September 2019. Payments made to certain suppliers after that date may be considered unfair preferences.

Our preliminary investigations have identified possible preference payments to creditors of the Company, however we believe some creditors will have valid defences to any claim brought against them. A liquidator will be able to properly investigate the viability of potential preference claims.

8.2. Insolvent trading

Based on our investigations as detailed in **Section 7.3**, our preliminary conclusion is that the Company may have been insolvent from around June 2019.

Our investigations into whether the Company may have traded whilst it was insolvent are ongoing. A liquidator (if appointed) will conduct more thorough investigations in this regard.

Insolvent trading occurs when a company incurs a debt at a time when:

- the company was insolvent or became insolvent by incurring the debt
- there were reasonable grounds to suspect the company was insolvent or would become so as a result of incurring the debt.

Company directors have a duty to prevent insolvent trading by not incurring debt when there are reasonable grounds for suspecting that the company is or will be unable to pay its debts as and when they fall due.

A director who fails to prevent a company from incurring a debt at a time when there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt, contravenes s588G of the Act.

Creditors should note that only a liquidator or an individual creditor with the liquidator's permission can bring an action against a director for breach of s588G. An administrator or deed administrator cannot pursue a director for recoveries arising from contraventions of s588G of the Act.

A liquidator may recover from a director the amount of loss or damages suffered by a creditor as a result of the incurring of the debt (s588M).

The debts incurred by the Company from June 2019 which remain unpaid amount to approximately \$4.4M. This amount is subject to change based on any new information becoming available.

Our investigations regarding whether the Company directors may have breached their statutory obligations or general law fiduciary duties in respect of ongoing trading are also continuing.

8.2.1. Director defences

There are certain defences available to directors under the Act in regard to allegations of insolvent trading:

- the director had reasonable grounds to expect, and did expect, that the company was solvent at that time and would continue to be solvent if it incurred the debt.
- the director had reasonable grounds to believe that a competent and reliable person was responsible for providing adequate information about whether the company was solvent and that person was fulfilling the responsibility and it was expected, that on the basis of the information provided, that the company was solvent and would continue to be solvent when the debt was incurred.
- at the time the debt was incurred the director, due to illness or other good reason, did not take part in the management of the company.
- the director took all reasonable steps to prevent the company from incurring the debt.

We are yet to form a view on whether any of these defences would be available to the Directors.

8.2.2. Holding company liability

An insolvent trading claim can be brought by the liquidator of a subsidiary company against the holding company where there are reasonable grounds for suspecting that the holding company or its directors had reasonable grounds to suspect that the subsidiary was insolvent. Accordingly, UCBL as the parent entity may also be liable for any insolvent trading of the Company.

Given the extent of the holding company's control over the Company, the commonality of directors and the fact that financial accounts were reported on a consolidated basis, there are reasonable grounds to believe that the holding company and its directors had full knowledge of the financial position of the Company.

Section 588W of the Act deals with the recovery of compensation for loss resulting from any insolvent trading claim, noting that a company's liquidator may recover from the holding entity an amount equal to the amount of the loss or damage suffered by creditors of the Company.

Given that UCBL is also in administration, it is unlikely that it would be commercial to pursue UCBL for insolvent trading. In any event, the Company already has an unsecured claim as a creditor with respect to UCBL loan.

8.2.3. Breach of Directors' Duties

In light of our view that the Company's solvency depended upon the recovery of the UCBL loan we consider that it may not have been in the Company's best interests to continue to loan further funds to UCBL after June 2019. Those funds should have been retained by the Company to enable it to pay its debts as they fell due. We consider this may involve a breach of the Directors' duties under the Corporation Act.

The Company advanced funds totalling approximately \$2.2M to UCBL after June 2019. We consider that the Company may have a claim against the Directors for this sum.

8.3. Offences

Directors and others have duties, obligations and responsibilities in relation to common law and statute.

8.3.1. Corporations Act 2001

A liquidator can conduct more thorough investigations and identify potential offences and recoveries (if any).

If a director breaches any duties, obligations and responsibilities, they may be subject to civil and criminal penalties in certain circumstances including:

- compensation to the Company for damages resulting from the contravention
- fines (up to \$200,000)
- imprisonment (up to 5 years)
- disqualification from managing corporations.

A liquidator (if appointed) would investigate whether there is sufficient evidence to report offences for:

- insolvent trading
- breaches of directors duties
- failure to maintain proper books and records.

8.3.2. Other Legislation

In addition to offences under the Act, directors and others may commit offences in respect of the Company under other legislation, for example:

- Taxation laws
- Competition and Consumer laws.

Our preliminary investigations have not identified any other breaches.

8.4. Directors' personal financial position

When a liquidator assesses the commercial merit of pursuing a claim, a key consideration is the capacity of the defending party to satisfy the claim.

We wrote to the Directors of the Company asking that they each attend to office to assist the Administrators investigations. The Directors have not attended our office.

We have conducted publicly available searches of the Directors' personal property and identified the following potential assets:

Director	Real Properties Held	Subject to Mortgage	Held Jointly	Shareholdings	Other Directorships
Joseph Merhi	9	6	2	1	5
Dianne Yerbury	1	1	No	2	27
Ekaterina Shkurko	1	1	No	No	No
Bradley Robert Newton	1	0	No	No	No
Steven Jenkins	3	1	3	No	No

Based on the above, we have identified assets that may be available in the event there are successful claims against the Directors.

Should creditors resolve to place the Company into liquidation at the Second Meeting, a liquidator would continue investigating the Directors' personal financial positions.

8.5. Auditor claim

We have not yet identified a claim against the auditor of the Company.

8.6. Public examinations

The Act provides that an 'eligible applicant', such as a liquidator, may examine officers of a company about its 'examinable affairs' and any other person who may be able to provide information relating to such affairs. 'Examinable affairs' is a comprehensive term with wide ranging application and includes:

- the promotion, formation, management, administration or winding up of the company
- other affairs of the company
- the business affairs of a connected company of the company insofar as they appear to be relevant to the company or its affairs.

If the Court is satisfied that a summons for examination should be issued, the examinee is usually required to produce at the examination any specified books that are in the person's possession and relate to the corporation.

Should creditors vote to wind up the Company, the liquidator will consider the public examination of the Directors, officers and other persons of interest, subject to available funds to meet the associated costs.

We consider there may be merit in conducting public examinations.

Public examinations are often expensive, involving:

- issuing summonses requiring relevant parties to attend court and produce documents
- engaging solicitors and counsel to conduct the examinations
- reviewing the company's books and records and documents produced

8.7. Reporting of offences to ASIC

Administrators are required to complete and lodge a report with ASIC pursuant to s438D of the Act where it appears that:

- a past or present officer of a company may have committed an offence
- money or property has been misapplied or retained
- a party is guilty of negligence, default, breach of duty or breach of trust in relation to a company.

A liquidator is required to lodge a report of his findings with ASIC, pursuant to s533 of the Act.

Creditors should also be aware that any report lodged pursuant to s438D (or an investigative report lodged by a liquidator pursuant to s533 of the Act) is not available to the public.

We have identified some matters that should be investigated further by a liquidator as outlined in this Report.

8.8. Costs of investigations and pursuing recovery actions

Creditors should note that recovery actions:

- may be expensive, lengthy and with uncertain outcomes
- will only produce a tangible result if defendants have the financial resources or insurance coverage to satisfy any judgement (this is often difficult to establish)
- must be funded by existing assets, creditor funding or external litigation funders. Litigation funders are likely to require a significant share of the proceeds of any judgement as a condition of funding the litigation.

8.9. Funding investigations and recoveries

Should creditors resolve that the Company be wound up and a liquidator appointed, it is likely the liquidator will be substantially without funds to meet the costs of any recovery actions that may be available to pursue.

In these circumstances, the liquidator may invite creditors to consider providing funding to conduct further investigations of claims identified above. Alternatively, a liquidator may seek external funding from a litigation funder in exchange for a share of any recovered proceeds.

9. Deed of Company Arrangement

A Deed is a binding agreement between a company and its creditors setting out how a company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business continuing to exist or providing a better return to creditors than would be achieved by winding up the company.

Creditors can vote that the Company execute a Deed at the Second Meeting if one is proposed.

We have not received any Deed proposals for the Company and therefore the option for creditors to vote in favour of a Deed proposal is currently unavailable.

We will table any Deed proposals received after this report at the Second Meeting. Creditors may decide to adjourn the Second Meeting to further consider any Deed proposals received. If adjourned the Second Meeting must reconvene within 45 business days.

10. Estimated return to creditors

Detailed below is a comparison of the estimated returns to creditors under a 'high' and 'low' case liquidation scenario.

Based on the assumptions detailed in the notes below, the 'high' case liquidation scenario provides for an estimated return to unsecured creditors of 0 cents in the dollar, with a 'low' case scenario of 15.3 cents in the dollar.

(\$'000)	Report section and notes	Liquidation		
		Low \$	High \$	
	Secured assets:			
	Debtors	Section 6.3	776	919
	Cash at bank at appointment	Section 6.3	1	1
Less	Total secured assets		777	920
	Administrators' costs	Note 1	(150)	(150)
	Liquidator costs	Note 2	(250)	(100)
	Total circulating assets available for distribution to APAAP secured creditors		377	670
	APAAP secured creditor claims	Section 6.3	(13,025)	(13,025)
	Return to APAAP secured creditors from circulating assets (cents in the dollar)		2.9	5.1
	Liquidator recoveries:			
	Voidable transaction claims	Section 8.1	Nil	Nil
	Insolvent trading and other claims	Section 8.2 Note 3	Nil	4,361
	Total other assets		-	4,361
Less	Liquidators' costs associated with recovery actions (inclusive of legal fees)	Note 4	-	(1,750)
	Total other assets less costs		-	2,611
Less	Unsecured creditor claims:			
	Unsecured creditors	Section 4.4	(4,718)	(4,718)
	Shortfall from secured creditors		(12,648)	(12,355)
	Return to unsecured creditors (cents in the dollar)		-	15.3
	Distribution Timing to unsecured creditors		N/A	24-36 Months

Notes

1. We anticipate our costs for the Administration to be \$150,000 in accordance with our remuneration report dated 5 March 2020.
2. We estimate the cost to complete our statutory obligations and investigations in the liquidation to be \$100,000 to \$250,000. 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.
3. 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.
4. 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. Administrators' opinion

Under the Act, creditors theoretically have three options to choose between in order to determine the Company's future. Our opinion on each option available to creditors is discussed below.

11.1. Administration to end

We are of the opinion that it is not in the best interest of creditors to end the administration.

While our investigations are continuing, it is evident that the Company is insolvent and unable to pay its debts as and when they fall due (**Section 7.3**). Accordingly, returning control of the Company to the Directors would be inappropriate.

11.2. Deed

This option is unavailable to creditors as we have not received any Deed proposals for the Company at the date of this Report, therefore in our opinion it is not in the Company's interest to execute a Deed.

We will table any Deed proposals received after this Report at the Second Meeting. Creditors may decide to adjourn the Second Meeting to further consider any Deed proposals received. Any adjournment of the Second Meeting must be for not more than 45 business days.

11.3. Liquidation

We are of the opinion that it is in the best interest of creditors that the Company be wound up.

Our preliminary view is that the Company may have been insolvent from around June 2019 but further investigation would be required by a liquidator in order to reach a conclusion on this issue. Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

A liquidator (if appointed) would be in a position to conduct detailed investigations into the circumstances leading up to the appointment of the Administrators.

A liquidator will be empowered to:

- pursue various potential recoveries under the Act, such as voidable transactions and insolvent trading (**Sections 8.1 and 8.2**).
- distribute recoveries made in accordance with the priority provisions of the Act
- complete thorough investigations into:
 - the Company's dealings and affairs
 - actions of the director(s)
- report findings to ASIC pursuant to the Act

Given the National Australia Bank's cross-guarantee GSA over the Company's property, we do not anticipate a return to unsecured creditors without a recovery from any liquidator actions.

11.4. Opinion

As the Company is not solvent and no Deed proposal has been forthcoming, we are of the opinion that it is in the creditors' best interests that the Company be wound up.

12. Enquiries

Should you have any enquiries please contact the PricewaterhouseCoopers office on +61 2 8266 000 or by email at Harrison.stanton@pwc.com

DATED this 5th day of March 2020



Philip Carter
Joint and Several Administrator

Appendices

Appendix A – Notice of meeting of creditors

**FORM 529
CORPORATIONS ACT 2001
Section 439A**

Insolvency Practice Rules (Corporations)
75-10, 75-15 & 75-20

NOTICE OF MEETING OF CREDITORS

**Co Info Pty Ltd
(Administrators Appointed) (The Company)
ACN 165 442 026**

Notice is given that a meeting of the creditors of the Company will be held at the offices of PricewaterhouseCoopers, Level 17, One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000 on 13 March 2020 at 2:00PM AEDST.

AGENDA

1. To receive the report of the Administrators.
2. Questions from creditors.
3. For creditors to resolve:
 - a. that the Company execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that The Company be wound up.
4. To fix the remuneration of the Administrators.
5. If the Company is wound up, to consider appointing a Committee of Inspection.
6. To fix the remuneration of the Liquidators.
7. Any other business that may be lawfully brought forward.

Telephone conference facilities will be available at the meeting.

Please contact Harrison Stanton to receive the teleconference details. Please contact Harrison Stanton by 4:00PM AEDST, Wednesday 11 March 2020 if you require access to the teleconference facilities.*

Creditors wishing to attend and vote are advised that proof of debt and proxy forms must be submitted to Harrison Stanton by 4:00PM AEDST, Thursday, 12 March 2020.

DATED this 5th day of March 2020.



Philip Carter
Administrator

C/- PricewaterhouseCoopers
Level 17, One International Towers Sydney
Watermans Quay, Barangaroo NSW 2000

* Telephone conference facility details can be provided as follows:

A person, or the proxy or attorney of a person, who wishes to participate in the meeting by telephone must give by **4:00PM AEDST, Wednesday 11 March 2020**, a written statement by email to **Harrison.stanton@pwc.com** setting out:

- i. the name of the person and of the proxy or attorney (if any); and
- ii. an address to which notices to the person, proxy or attorney may be sent; and
- iii. a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

A person, or the proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred by the person, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the Company.

Section 75-85 of the Insolvency Practice Rules (Corporations) sets out the entitlement to vote at meetings of creditors:

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive of the debt or claim:
 - i. those particulars; or
 - ii. if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established; unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the Company directly, or may be liable to the Company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force

Appendix B – Proxy form

FORM 532
APPOINTMENT OF PROXY

Co Info Pty Ltd
(Administrators Appointed) (the Company)
ACN 165 442 026

A. Appointment of a proxy

I/We,
(If a company, strike out "I" and set out full name of the company)

of
(address)

a creditor of the Company appoint
as my/our proxy, or in his/her absence....., to vote at the meeting of
creditors to be held on 13 March 2020 at PricewaterhouseCoopers, Level 17, One International Towers
Sydney, Waterman Quay, Barangaroo NSW 2000 at 2.00pm AEDST or at any adjournment of that meeting.

B. Voting directions

Option 1: ☐ If appointed as a general proxy, as he/she determines on my/our behalf
(Please proceed to section C ie do not complete the table below)

and/or

Option 2: ☐ If appointed as a special proxy in the manner set out below:
(Please complete the table below before proceeding to section C)

No	Resolution	For	Against	Abstain
1	That the remuneration of the Administrators is approved for the period 24 November 2019 to 29 February 2020 of \$115,284.50 plus GST as set out in the Remuneration Approval Report dated 5 March 2020 to be drawn from available funds immediately or as funds become available.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	That the remuneration of the Administrators is approved for the period 1 March 2020 to the conclusion of the Administration up to a maximum of \$34,715.50 plus GST, as set out in the Remuneration Approval Report dated 5 March 2020 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the Court.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 (if applicable)	That the remuneration of the Liquidators is approved for the period 13 March 2020 to the conclusion of the Liquidation up to a maximum of \$250,000 plus GST, as set out in the Remuneration Approval Report dated 5 March 2020 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors, Committee of Inspection or by order of the Court.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	The Company be wound up.			
8	The Company to execute a Deed of Company Arrangement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	The Administration should end (and control revert back to the Company directors).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 (if applicable)	If the Company is wound up, that a Committee of Inspection be formed comprising representatives as nominated at the meeting of creditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Signature (in accordance with Sections 127 or 250D of the Corporations Act 2001)

If the creditor is an individual

.....

If the creditor is a Company

.....
Director/Company Secretary

.....
Print name

Dated this day of March 2020

CERTIFICATE OF WITNESS

Please Note: *This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.
The signature of the creditor is not to be attested by the person nominated as proxy.*

I, _____ of _____ certify that
the

Above instrument appointing a proxy was completed by me in the presence of and at the request of the person
appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness: _____

Appendix C – Proof of debt form

FORM 535
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Administrators of Co Info Pty Ltd (Administrators Appointed) **(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 | | |

Dated/...../..... Name Signatory.....

Phone Email address.....

Appendix D – Remuneration approval report

Co Info Pty Ltd (Administrators Appointed)

ACN 165 442 026

Remuneration Approval Report

5 March 2020

1 Introduction

This remuneration approval report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration.

You should read this report and the other documentation that we have sent you and then attend the meeting of creditors in order to voice your opinion by casting your vote on the resolutions put to the meeting. The meeting will also give you an opportunity to ask any questions that you may have.

Alternatively, you are also able to appoint a representative to attend on your behalf by lodging a proxy form. Lodging a specific proxy form allows you to specify how your proxy must vote. Lodging a general proxy form allows your representative to choose how your vote is exercised.

Information about the meeting of creditors is provided at **Appendix E** of the report.

2 Declaration

We, Philip Carter, Daniel Walley and Andrew Scott of PricewaterhouseCoopers have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of Co Info Pty Ltd 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 the administration.

3 Executive Summary

To date, no remuneration has been approved and paid.

This report details approval sought for the following fees:

Period	Amount (ex GST)
Current remuneration approval sought:	
Voluntary Administration	
Resolution 1: 24 November 2019 to 29 February 2020	\$115,284.50
Resolution 2: 1 March 2020 to the conclusion of the Administration*	up to \$34,715.50
Total remuneration for the Voluntary Administration	\$150,000.00
Liquidation	
Resolution 3: 13 March 2020 to the conclusion of the Liquidation*	Up to \$250,000.00

*Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to report section references detailed above for full details of the calculation and composition of the remuneration approval sought.

Total remuneration for the Administration is consistent with the upper limit of the estimate of costs provided in the Initial Advice to Creditors dated 26 November 2019, which estimated a cost to completion of the Voluntary Administration of between \$50,000 and \$150,000 (excluding GST).

We estimate our total remuneration of the Liquidation to be up to \$250,000 (excluding GST). This amount includes our best estimate of the cost to undertake the following:

- Obtaining books and records from About3.
- Investigations into, and recovery actions concerning the insolvent trading claim.
- Undertaking public examinations.
- Investigations into potential breaches of directors duties.
- Recovery of the remaining debtors.

4 Remuneration

4.1 Remuneration

We will be seeking approval of the following resolutions to approve our remuneration.

Resolution 1 – VA for the period 24 November 2019 to 29 February 2020

That the remuneration of the Administrators is approved for the period 24 November 2019 to 29 February 2020 of \$115,284.50 plus GST as set out in the Remuneration Approval Report dated 5 March 2020 to be drawn from available funds immediately or as funds become available.

Resolution 2 – VA estimate for the period 1 March 2020 to the conclusion of the Administration

That the remuneration of the Administrators is approved for the period 1 March 2020 to the conclusion of the Administration up to a maximum of \$34,715.50 plus GST, as set out in the Remuneration Approval Report dated 5 March 2020 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the Court.

Resolution 3: Liquidation estimate for the period 13 March 2020 to the conclusion of the Liquidation

That the remuneration of the Liquidators is approved for the period 13 March 2020 to the conclusion of the Liquidation up to a maximum of \$250,000 plus GST, as set out in the Remuneration Approval Report dated 5 March 2020 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors, Committee of Inspection or by order of the Court.

Future remuneration is approved subject to a maximum or cap. Sometimes the actual cost of the administration will exceed the maximum which has been approved, in which case, we may seek another resolution for additional remuneration. We will not pay any amount exceeding the maximum without this approval.

Where funds are available, we will usually pay approved remuneration at intervals of not less than one month. Where funds are not available, remuneration will not be paid.

4.2 Details of remuneration

The basis of calculating the remuneration claims and details of the major tasks performed and the costs associated with each of those major tasks is detailed below.

Resolution 1 – VA for the period 24 November 2019 to 29 February 2020

Employee	Position	\$/hours	Total	Total	Assets		Creditors		Investigation		Administration	
		(Ex GST)	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Phil Carter	Partner	720.00	8.5	6,120.00	-	-	6.5	4,680.00	0.5	360.00	1.5	1,080.00
Melissa Humann	Director	625.00	34.6	21,625.00	0.5	312.50	21.7	13,562.50	3.2	2,000.00	9.2	5,750.00
Scott Pascoe	Director	625.00	35.8	22,375.00	-	-	-	-	35.8	22,375.00	-	-
Shane Ugo	Senior Manager	560.00	1.6	896.00	-	-	-	-	-	-	1.6	896.00
Andy Collins	Manager	510.00	2.4	1,224.00	-	-	2.4	1,224.00	-	-	-	-
Kei Cheung	Manager	510.00	2.7	1,377.00	0.2	102.00	-	-	0.3	153.00	2.2	1,122.00
Tim Evans	Manager	510.00	53.0	27,030.00	3.9	1,989.00	5.9	3,009.00	43.2	22,032.00	-	-
Harrison Stanton	Senior Consultant	425.00	35.9	15,257.50	3.7	1,572.50	22.9	9,732.50	8.3	3,527.50	1.0	425.00
Joanne Chu	Senior Consultant	425.00	2.9	1,232.50	-	-	2.9	1,232.50	-	-	-	-
Julian Cottle	Senior Consultant	425.00	5.5	2,337.50	-	-	-	-	3.4	1,445.00	2.1	892.50
Fleur Combridge	Consultant	350.00	4.8	1,680.00	-	-	4.8	1,680.00	-	-	-	-
Harrison Stanton	Consultant	350.00	10.2	3,570.00	0.3	105.00	6.1	2,135.00	0.4	140.00	3.4	1,190.00
Jonathan McConnell	Consultant	350.00	7.2	2,520.00	-	-	3.3	1,155.00	-	-	3.9	1,365.00
	Offshore Professionals	250.00	26.4	6,600.00	-	-	3.8	950.00	22.6	5,650.00	-	-
	Specialist	180.00	8.0	1,440.00	-	-	-	-	-	-	8.0	1,440.00
Total			239.5	115,284.50	8.6	4,081.00	80.3	39,360.50	117.7	57,682.50	32.9	14,160.50
GST				11,528.45								
Total (Including GST)				126,812.95								
Average rate (excluding GST)				481.35		474.53		490.17		490.08		430.41

The below table provides a description of the work undertaken in each major task area for the period 24 November 2019 to 29 February 2020.

Task Area	General description	Includes
Assets 8.60 hours \$4,081.00	Plant and Equipment	Conducting motor vehicle searches
	Debtors	Correspondence with debtors Correspondence with bank regarding receipt of debtors Reviewing and assessing collectability of debtor ledger Reviewing bank statements to identify debtor receipts
	Other Assets	Conducting bank sweep
	Creditor Enquiries	Deal with creditor enquiries via telephone and email Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via email and post Correspondence with committee of inspection members
	Retention of Title Claims	Search the PPSA register Notify PMSI creditors identified from PPSA register Receive initial notification of creditors' intention to claim Receive completed retention of title claim forms Maintain retention of title file
Creditors 80.30 hours \$39,360.50	Secured creditor reporting	Notifying PPSA registered creditors of appointment
	Creditor reports	Preparing initial circular and Administrators' report to creditors and associated annexures
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting first meeting of creditors Preparation and lodgement of minutes of meetings with ASIC

Task Area	General description	Includes
	Committee of Inspection	Responding to stakeholder queries and questions immediately following meeting
		Liaising with Committee members Preparation of meeting notices and advertisements Holding Committee meetings Preparing minutes of Committee meetings
Investigation 117.70 hours \$57,682.50	Conducting investigation	Attempting to access company books and records Requesting books and records from third parties Obtaining access of Company's Xero accounting system Requesting Director interviews Downloading financial data form Xero system Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions Investigations to identify indicators of insolvency and possible claims for insolvent trading Investigations into potential voidable transactions Investigations into possible breach of directors duties Preparation of investigation file Liaising with company staff members regarding investigations queries Investigations into the sale of the Company Reviewing imaged computer data Calls with third parties regarding investigations Preparing summaries of financial information including monthly balance sheets, profit and loss and accounts receivable and payable Internal meetings regarding status of investigations Preparing file notes Investigations into specific balance sheet and profit and loss accounts
Administration 32.90 hours \$14,160.50	Correspondence	General correspondence with stakeholders
	Document maintenance/file review/checklist	Regular administration review and status meetings Filing of documents File reviews Updating checklists
	Insurance	Correspondence with insurer regarding initial and ongoing insurance requirements Email with company staff regarding Workcover policies
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers Correspondence with bank regarding viewing access to pre-appointment account Correspondence, identifying and work conducted regarding funds received in error Processing payments
	ASIC Forms and lodgements	Preparing and lodging ASIC forms including 505, 531, etc. Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Correspondence with the ATO
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Obtaining and storage of electronic books and records

Resolution 2 – VA estimate for the period 1 March 2020 to the conclusion of the Administration

Employee	Position	\$/hours	Total	Total	Assets		Creditors		Investigation		Administration	
		(Ex GST)	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Phil Carter	Partner	720.00	10.8	7,776.00	-	-	10.8	7,776.00	-	-	-	-
Scott Pascoe	Director	625.00	6.5	4,062.50	-	-	4.0	2,500.00	2.5	1,562.50	-	-
Tim Evans	Manager	510.00	15.0	7,650.00	0.5	255.00	12.0	6,120.00	2.0	1,020.00	0.5	255.00
Harrison Stanton	Senior Consultant	425.00	27.2	11,560.00	2.0	850.00	23.5	9,987.50	1.2	510.00	0.5	212.50
Jonathan McConnell	Consultant	350.00	2.5	875.00	-	-	2.5	875.00	-	-	-	-
	Offshore Professionals	250.00	6.2	1,550.00	-	-	6.2	1,550.00	-	-	-	-
	Specialist	180.00	1.9	342.00	-	-	-	-	-	-	1.9	342.00
	Administration Support	180.00	5.0	900.00	-	-	3.0	540.00	-	-	2.0	360.00
Total			75.1	34,715.50	2.5	1,105.00	62.0	29,348.50	5.7	3,092.50	4.9	1,169.50
GST				3,471.55								
Total (Including GST)				38,187.05								
Average rate (excluding GST)				462.26		442.00		473.36		542.54		238.67

The below table provides a description of the work undertaken in each major task area for the period 1 March 2020 to the conclusion of the Voluntary Administration.

Task Area	General description	Includes
Assets 2.50 hours \$1,105.00	Debtors	Correspondence with debtors Collection of debtors Confirming receipt of debtors on bank statement
	Creditor Enquiries	Deal with creditor enquiries via email and telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via email and post Correspondence with committee of inspection members
	Retention of Title Claims	Adjudicate retention of title claims Forward correspondence to claimants notifying outcome of adjudication
	Secured creditor reporting	Verbal updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing Administrators' report and associated annexures
Creditors 62.00 hours \$29,348.50	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting second meeting of creditors Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
	Conducting investigation	Finalising Administrators' investigations into potential voidable transactions, insolvent trading and breach of directors duties
Investigation 5.70 hours \$3,092.50	ASIC reporting	Preparing statutory investigation reports
	Correspondence	General correspondence with stakeholders
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Bank account administration	Requesting bank statements Bank account reconciliations
Administration 4.90 hours \$1,169.50		

Task Area	General description	Includes
		Correspondence regarding specific transfers Processing receipts and payments
	ASIC Forms and lodgements	Preparing and lodging ASIC forms including 505, 5011, etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS
	Planning / Review	Discussions regarding status of administration

Resolution 3: Liquidation estimate for the period 13 March 2020 to the conclusion of the Liquidation

Employee	Position	\$/hours (Ex GST)	Total Hrs	Total \$	Assets Hrs	Assets \$	Creditors Hrs	Creditors \$	Investigation Hrs	Investigation \$	Dividend Hrs	Dividend \$	Administration Hrs	Administration \$
Phil Carter	Partner	720.00	54.6	39,312.00	3.0	2,160.00	8.0	5,760.00	40.0	28,800.00	2.0	1,440.00	1.6	1,152.00
Scott Pascoe	Director	625.00	85.5	53,437.50	-	-	4.0	2,500.00	80.0	50,000.00	-	-	1.5	937.50
Tim Evans	Manager	510.00	116.3	59,313.00	3.8	1,938.00	20.0	10,200.00	80.0	40,800.00	10.0	5,100.00	2.5	1,275.00
Harrison Stanton	Senior Consultant	425.00	138.5	58,862.50	6.0	2,550.00	35.0	14,875.00	80.0	34,000.00	15.0	6,375.00	2.5	1,062.50
Jonathan McConnell	Consultant	350.00	65.0	22,750.00	-	-	15.0	5,250.00	40.0	14,000.00	5.0	1,750.00	5.0	1,750.00
	Offshore Professionals	250.00	54.5	13,625.00	-	-	10.0	2,500.00	38.0	9,500.00	5.0	1,250.00	1.5	375.00
	Specialist	180.00	10.0	1,800.00	-	-	-	-	-	-	-	-	10.0	1,800.00
	Administration Support	180.00	5.0	900.00	-	-	2.0	360.00	-	-	-	-	3.0	540.00
Total			529.4	250,000.00	12.8	6,648.00	94.0	41,445.00	358.0	177,100.00	37.0	15,915.00	27.6	8,892.00
GST				25,000.00										
Total (Including GST)				275,000.00										
Average rate (excluding GST)				472.23		519.38		440.90		494.69		430.14		322.17

The below table provides a description of the work undertaken in each major task area for the period 13 March 2020 to the conclusion of the Liquidation.

Task Area	General description	Includes
	Debtors	Correspondence with debtors Reviewing and assessing collectability of debtors' ledger Finalising collection of debtors
Assets 12.80 hours \$6,648.00	Other Assets	Tasks associated with realising other assets
	Creditor Enquiries	Deal with creditor enquiries via telephone and email Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via email and post Correspondence with Committee of Inspection members
	Retention of Title Claims	Adjudicate retention of title claims Forward correspondence to claimants notifying outcome of adjudication Preparation of payment vouchers to satisfy valid claims Preparation of correspondence to claimants to accompany payment of claims (if valid)
Creditors 94.00 hours \$41,445.00	Secured creditor reporting	Regular verbal updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing statutory report to creditors and general reports to creditors and associated annexures
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors (if required)	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting

Task Area	General description	Includes
Investigation 358.00 hours \$177,100.00	Committee of Inspection (if appointed)	Conducting meeting of creditors Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
		Preparation of meeting notices and advertisements Forward notice of meeting to Committee Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting committee meeting Preparation and lodgement of minutes of meetings with ASIC
	Conducting investigation	Collection of company books and records Review company books and records Reviewing imaged computer documents and email server
		Correspondence with About3 to obtain books and records Correspondence with ASIC to receive assistance in obtaining company's books and records Review of specific transactions Meetings with directors to discuss matters of investigation Investigations into possible claims for insolvent trading Further investigations into voidable transactions Further investigations into possible breaches of directors duties Preparation of investigation file Preparation and lodgement of supplementary report (if required)
		Preparing brief to solicitors Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available
		Preparing brief to solicitors and litigation funders Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
		Preparing statutory investigation reports
	ASIC reporting	
	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Secured creditor distributions	Liaising with secured creditors regarding distributions Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to secured creditors enclosing payment of dividend
Dividend 37.00 hours \$15,915.00		

Task Area	General description	Includes
Administration 27.60 hours \$8,892.00	Correspondence	General correspondence with stakeholders
	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Reviewing insurance policies
	Bank account administration	Preparing correspondence changing account names and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Forms and lodgements	Preparing and lodging ASIC forms including 505, 5602/5603, etc. Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

4.3 Total remuneration reconciliation for Voluntary Administration period

This is consistent with the upper limit of the estimate provided in the Initial Remuneration Notice dated 26 November 2019, which estimated remuneration of between \$50,000 and \$150,000 (excluding GST).

We also make the following comments regarding our remuneration estimate:

- Our initial estimate was provided at the start of the Administration, prior to us understanding the complexity of some of the investigations we were required to undertake in the Administration.
- When we provided our initial remuneration estimate, we did not anticipate the Voluntary Administration period of the Company to be as long as it has due to the complexity of the investigation we were required to undertake.
- The complexity of our investigations were increased by the inadequacy of books and records and inability to access key former staff of the Company and its directors.

In preparing this remuneration approval report, we have made our best estimate at what we believe the Administrations will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the Administration not proceed as expected, or the Second Meeting be delayed, we will advise creditors and we may seek approval of further remuneration and provide details on why the remuneration has changed.

4.4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the company and it provides for remuneration of the liquidator to be paid in priority to other claims. This ensures that when there are sufficient funds, the liquidator receives payment for the work done to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve our remuneration, this does not guarantee that we will be paid, as we are only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that we are able to recover, and the amount of creditor claims that are admitted to participate in any dividend, including any claims by priority creditors such as employees.

We are unable to provide a dividend estimate of any certainty at this stage of the liquidation, however we do anticipate paying a dividend to secured creditors.

4.5 Remuneration recovered from external sources

To date we have not received any funding from external sources for our remuneration.

5 Disbursements

Disbursements are divided into three types:

- **Externally provided professional services** - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- **Externally provided non-professional costs** – these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation and search fees.
- **Internal disbursements** such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

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

We will not be claiming or seeking creditor approval to pay our internal disbursements from creditors.

5.1 Future basis of internal disbursements (if required)

Future disbursements provided by our firm will be charged to the administration on the following basis:

Basis of disbursement claim

Disbursements	Rate (excl GST)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements	
Staff vehicle use	65 cents per kilometre for first 150km of return trip and 40 cents per kilometre thereafter

6 Summary of receipts and payments

Co Info Pty Ltd (Administrators Appointed)

Summary of Administrators' Receipts and Payments
24 November 2019 to 4 March 2020

	\$ (inc GST)
Receipts	
Pre-appointment cash at bank	1,260
Pre-appointment debtors	775,944
Interest income	306
Pre-appointment ATO Refund	775
Total receipts	778,284
Payments	
Legal Fees	1,793
Bank Charges	284
Total payments	2,077
Suspense and funds received in error	5,369
Net Receipts/(Payments)	776,207

7 Queries

Please contact Harrison Stanton on +61 2 8266 0000 or by email at harrison.stanton@pwc.com should you have any further queries or require any further information.

You can access additional information on the following websites:

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

Dated this 5th day of March 2020



Philip Carter
Administrator

www.pwc.com.au

Appendix E – Information sheets

Information Sheet: Committees of Inspection

You have been elected to be, or are considering standing for the role of, a member of a Committee of Inspection (COI) in either a liquidation, voluntary administration or deed of company arrangement of a company (collectively referred to as an external administration).

This information sheet is to assist you with understanding your rights and responsibilities as a member of a COI.

What is a COI?

A COI is a small group of creditors elected to represent the interests of creditors in the external administration. The COI advises and assists the external administrator and also has the power to approve and request certain things – this is discussed in more detail below.

Membership of the COI is a voluntary, unpaid position.

Who can be elected to a COI?

To be eligible to be appointed as a member of a COI, a person must be:

- A creditor
- A person holding the power of attorney of a creditor
- A person authorised in writing by a creditor; or
- A representative of the Commonwealth where a claim for financial assistance has, or is likely to be, made in relation to unpaid employee entitlements.

If a member of the COI is a company, it can be represented by an individual authorised in writing to act on that creditor's behalf. It also allows the creditor to maintain its representation if a change in the individual is required

A COI usually has between 5 and 7 members, though it can have more, or less, depending on the size of the external administration.

A member of a COI can be appointed by:

- resolution at a meeting of creditors
- an employee or a group of employees owed at least 50% of the entitlements owed to employees of the company
- a large creditor or group of creditors that are owed at least 10% of the value of the creditors' claims,

If an employee or group of employees, or a large creditor or group of creditors, appoints a member to the COI, they cannot vote on the general resolution of creditors to appoint members to the COI. Each of these groups also have the power to remove their appointed member of the COI and appoint someone else.

If you are absent from 5 consecutive meetings of the COI without leave of the COI or you become an insolvent under administration, you are removed from the COI.

What are the roles and powers of a COI?

A COI has the following roles:

- to advise and assist the liquidator, voluntary administrator or deed administrator (collectively referred to as the external administrator)
- to give directions to the external administrator
- to monitor the conduct of the external administration.

In respect of directions, the external administrator is only required to have regard to those directions. If there is a conflict between the directions of the COI and the creditors, the directions of the creditors prevail. If the external administrator chooses not to comply with the directions of the COI, the external administrator must document why.

A COI also has the power to:

- approve remuneration of the external administrator after the external administrator has provided the COI with a Remuneration Approval Report (a detailed report setting out the remuneration for undertaking the external administration)
- approve the use of some of the external administrator's powers in a liquidation (compromise of debts over \$100,000 and entering into contracts over 3 months)
- require the external administrator to convene a meeting of the company's creditors
- request information from the external administrator
- approve the destruction of the books and records of the external administration on the conclusion of the external administration
- with the approval of the external administrator, obtain specialist advice or assistance in relation to the conduct of the external administration
- apply to the Court for the Court to enquire into the external administration.

An external administrator is not required to convene a meeting of creditors if the request by the COI is unreasonable, or provide requested information if the request is unreasonable, not relevant to the administration or would cause the external administrator to breach their duties.

A request to convene a meeting of creditors is unreasonable if:

- it would substantially prejudice the interests of a creditor or third party
- there are insufficient funds in the external administration to cover the cost of the request
- a meeting of creditors dealing with the same matters has already been held or will be held within 15 business days, or
- the request is vexatious.

If a request for a meeting is reasonable, the external administrator must hold a meeting of creditors as soon as reasonably practicable.

A request for information is unreasonable if:

- it would substantially prejudice the interests of a creditor or third party
- the information would be subject to legal professional privilege
- disclosure of the information would be a breach of confidence
- there are insufficient funds in the external administration to cover the cost of the request
- the information has already been provided or is required to be provided within 20 business days, or
- the request is vexatious.

If the request for information is not unreasonable, the external administrator must provide the requested information within 5 business days, but the law provides for further time in certain circumstances.

An external administrator must inform the COI if their meeting or information request is not reasonable and the reason why.

How does the COI exercise its powers?

A COI exercises its powers by passing resolutions at meetings of the COI. To pass a resolution, a meeting must be convened and a majority of the members of the COI must be in attendance.

A meeting is convened by the external administrator by giving notice of the meeting to the members of the COI. Meetings of the COI can be convened at short notice.

The external administrator must keep minutes of the meeting and lodge them with ASIC within one month of the end of the meeting.

ASIC is entitled to attend any meeting of a COI.

What restrictions are there on COI members?

A member of a COI must not directly or indirectly derive any profit or advantage from the external administration. This includes by purchasing assets of the company or by entering into a transaction with the company or a creditor of the company. This prohibition extends to related entities of the member of the COI and a large creditor(s) that appoints a member to the COI.

Creditors, by resolution at a meeting of creditors, can resolve to allow the transaction. The member of the COI or the large creditor(s) that appoints a member to the COI is not allowed to vote on the resolution.

Where can you get more information?

The Australian Restructuring Insolvency and Turnaround Association (ARITA) provides information to assist creditors with understanding external administrations and insolvency.

This information is available from ARITA's website at www.arita.com.au/creditors.

ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at www.asic.gov.au (search "insolvency information sheets").

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
588G	Incurring liabilities while insolvent
588GAB	Officer's duty to prevent creditor-defeating disposition
588GAC	A person must not procure a company to make a creditor-defeating disposition
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.
596AB	Entering into an agreement or transaction to avoid employee entitlements.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Creditor-defeating disposition

Creditor-defeating dispositions are the transfer of company assets for less than market value (or the best price reasonably obtainable) that prevents, hinders or significantly delay creditors' access to the company's assets in liquidation. Creditor-defeating dispositions are voidable by a liquidator.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to the benefit or detriment to the company; the respective benefits to other parties; and any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person or from members of a corporate group (Contribution Order).

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Queries about the voluntary administration should be directed to the administrator's office.

Appendix F – Details of identified secured creditors

PPSR Claimant Name	Registration Number	Start date	End date	Collateral Description	PMSI
National Australia Bank Limited	201407230069213	23/07/2014	No stated end time	APAAP	
Linde Material Handling Pty Limited	201711100048931	10/11/2017	10/11/2024	Motor Vehicle	Yes
Linde Material Handling Pty Limited	201810090052157	9/10/2018	9/10/2025	Motor Vehicle	Yes
Alliance Distribution Services Pty Ltd	201312240043113	24/12/2013	No stated end time	Other Goods	Yes
Alliance Distribution Services Pty Ltd	201312240044670	24/12/2013	No stated end time	Other Goods	No
Penguin Random House Australia Pty Ltd	201401210038223	21/01/2014	21/01/2021	Other Goods	Yes
Footprint Books Pty Ltd	201401270006215	27/01/2014	No stated end time	Other Goods	Yes
John Wiley & Sons Australia, Ltd	201402130063468	13/02/2014	13/02/2021	Other Goods	Yes
Visy Logistics No 2 Pty Ltd; Regional Recyclers Pty Ltd; Visy Automation International Pty Ltd; Southern Paper Pty Ltd; Visy West Coast Pty Ltd; Visy Industries Australia Pty Ltd; Visy Leasing Pty Ltd; Visy Logistics Pty Ltd; Visy Cdl Services Pty Ltd; Salvage Paper Pty Ltd; Mason Duflex Displays Pty. Limited; P & I Pty. Ltd.; Visy Recycling Australia Pty Ltd; Visy Technology Systems Pty Ltd; Visy Tech Systems Pty. Ltd.; MPC Quikpak Pty Ltd; Ace Print And Display Pty Limited; The Trustee For Southern Paper Converters Trust; Visy Paper Pty. Ltd.; Build Run Repair (Australia) Pty Ltd; Visypet Pty. Ltd.; Visy Packaging Pty. Ltd.; Visy Pulp And Paper Pty. Ltd.; Visy Glama Pty Ltd; Visy Cartons Pty Ltd; Visy Board Proprietary Limited	201409120037308	12/09/2014	12/09/2021	Other Goods	Yes
McGraw-Hill Education (Australia) Pty Ltd	201609300033596	30/09/2016	30/09/2023	Other Goods	Yes
Footprint Books Pty Ltd	201612150016192	15/12/2016	8/11/2023	Other Goods	Yes
McGraw-Hill Education (Australia) Pty Ltd	201708020015301	2/08/2017	30/09/2023	Other Goods	Yes
Cengage Learning Australia Pty Limited	201711240032732	24/11/2017	20/11/2024	Other Goods	Yes
The Chancellor, Masters And Scholars Of The University Of Oxford	201907220049575	22/07/2019	22/07/2026	Other Goods	Yes
Reed International Books Australia Pty Limited	201909040052855	4/09/2019	No stated end time	Other Goods	Yes
Reed International Books Australia Pty Limited	201909040052926	4/09/2019	No stated end time	Other Goods	No