

# **University Co-operative Bookshop Limited (In Liquidation)**

## **ARBN 009 937 160**

**Statutory report to creditors**

30 June 2020

# Executive Summary

We refer to the appointment of Philip Carter, Daniel Walley and Andrew Scott as Joint and Several Administrators of the Co-operative on 24 November 2019 and their subsequent appointment as Liquidators of the Co-Operative on 27 March 2020 at the Second Meeting of Creditors.

This report refers to our Administrators' Report to Creditors dated 18 March 2020 (**Administrators' Report**) and our Initial Information to Creditors regarding the liquidation dated 23 April 2020.

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

Copies of both reports can be located at:

<https://insolvency.pwc.com.au/groupEntityCases/university-Co-Operative-bookshop-limited/casePage>

The purpose of this report is to:

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

In reviewing this Report, creditors should note:

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

# Contents

<b>1</b>	<b>Overview of the liquidation</b>	<b>3</b>
1.1	What happened to the business of the Co-Operative?	3
1.2	Estimated Outcome Statement	3
1.3	Report of company Activities and Property (ROCAP)	4
1.4	Historical financial position	4
<b>2</b>	<b>Investigations undertaken</b>	<b>4</b>
2.1	Letter of Demand	4
2.2	Voidable Transactions	4
2.3	Litigation Funding	4
2.4	Further investigations to be undertaken	4
<b>3</b>	<b>Likelihood of a dividend</b>	<b>5</b>
<b>4</b>	<b>Cost of the liquidation</b>	<b>5</b>
<b>5</b>	<b>Committee of Inspection</b>	<b>5</b>
<b>6</b>	<b>What happens next?</b>	<b>6</b>
<b>7</b>	<b>What to do next?</b>	<b>6</b>

## Annexures

### A – Proof of debt form

# 1 Overview of the liquidation

We have proceeded with the conduct of the Liquidation which primarily concerns continuing our investigations into the affairs of the University Co-Operative Bookshop Limited (In Liquidation) (**the Co-Operative**), liaising with litigation funders and attempting to collect the remaining debtors of the Co-Operative.

## 1.1 What happened to the business of the Co-Operative?

The Co-Operative was first incorporated on 18 February 1958 and became a Registered Australian Body on 11 April 1975. The Co-Operative operated two businesses;

- Bookstores - operating on university campuses across Australia and a store in Sydney CBD selling textbooks. Parts of the business were sold to Booktopia on 30 January 2020. The Bookstores ceased trading on, or shortly after, 23 March 2020
- Curious Planet – a retail network selling science, technology and novelty products. This business was unable to be sold and, as a result, we gradually closed down the network of stores with the last store closing on 9 February 2020.

Further details in the business of the Co-Operative prior to our appointment is located in section 4 of our Administrators' Report.

## 1.2 Estimated Outcome Statement

(\$'000)	Low \$	High \$
<b>Circulating assets</b>		
Cash at bank at appointment	249	249
Debtors	129	129
Forecast trading result	7,324	7,417
<b>Total circulating assets</b>	<b>7,702</b>	<b>7,795</b>
<b>Priority creditors</b>		
Circulating realisation costs	(312)	(312)
PPSR claims	(230)	(180)
Employee claims	(1,744)	(1,619)
<b>Total priority creditor claims</b>	<b>(2,286)</b>	<b>(2,111)</b>
<b>Net circulating assets</b>	<b>5,416</b>	<b>5,685</b>
<b>Total secured assets</b>		
Sale of Co-op IP to Booktopia	605	605
Sale of CP IP	-	-
<b>Total secured assets</b>	<b>605</b>	<b>605</b>
Non-circulating realisation costs	(176)	(176)
Administrators' costs	(2,154)	(2,154)
Liquidator costs	(499)	(284)
Legal costs	(687)	(567)
<b>Total assets available for distribution to APAAP secured creditor</b>	<b>2,505</b>	<b>3,109</b>
APAAP secured creditor claims	13,025	13,025
<b>Return to APAAP secured creditors from circulating assets (cents in the dollar)</b>	<b>19.2</b>	<b>23.9</b>
<b>Liquidator recoveries:</b>		
Voidable transaction claims	Nil	2,670
Insolvent trading and other claims	Nil	10,500
<b>Total other assets</b>	<b>Nil</b>	<b>13,170</b>
Liquidators' costs associated with recovery actions	Nil	(5,300)
<b>Total other assets less costs</b>	<b>Nil</b>	<b>7,870</b>
<b>Unsecured creditor claims:</b>		
Unsecured creditors	19,394	19,394
Shortfall from secured creditors	10,520	9,916
<b>Return to unsecured creditors (cents in the dollar)</b>	<b>Nil</b>	<b>26.9</b>
<b>Finalisation of liquidation or distribution timing to unsecured creditors</b>	<b>12 to 18 months</b>	<b>18 to 36 months</b>

### **1.3 Report of company Activities and Property (ROCAP)**

Please refer to section 6 of the Administrators' Report for detailed analysis of the director's ROCAPs.

### **1.4 Historical financial position**

Please refer to section 6 of the Administrators' Report for detailed information on the Co-Operative's financial position.

## **2 Investigations undertaken**

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

### **2.1 Letter of Demand**

We have issued a letter of demand against each of the directors of the Co-Operative with respect to insolvent trading for \$10.5m and other claims we consider valid.

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

### **2.2 Possible recoveries – voidable transactions**

As a result of our preliminary investigations, we have identified potential voidable transaction recoveries for unfair preference payments to unsecured creditors.

We are continuing to investigate the viability of potential preference claims and any defences available to creditors.

### **2.3 Litigation Funding**

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

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

### **2.4 Further investigations to be undertaken**

We plan to undertake the following further investigations:

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

### 3 Likelihood of a dividend

The likelihood of a dividend being paid to creditors will be influenced by several factors including:

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

As set out in our Administrators' Report, the National Australia Bank was owed c.\$13.025m at our appointment and ranks ahead of other secured creditors and general unsecured creditors in the statutory priority of claims.

To date, we have paid a total of \$2.5m of Administration proceeds in dividends to the National Australia Bank from the Co-Operative, and \$500k from Co Info. This leaves the Bank's estimated current exposure at c.\$10.025m. We expect the Secured Creditor to prove as an unsecured creditor in the liquidation for the balance it is owed.

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

### 4 Committee of Inspection

At the Second Meeting of Creditors held on 27 March 2020, the creditors voted to elect a Committee of Inspection (COI).

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

The COI consists of the following creditors:

- Amanda Donohoe - Employee
- Science and Nature Pty Ltd, represented by Nigel Kirby
- John Wiley & Sons Australia Ltd, represented by Helen McLean
- Sydney University Sport and Fitness, represented by Ed Smith
- TPF Think Pty Ltd, represented by Scott Feigan

We intend to hold the first COI meeting for the liquidation of the Co-Operative once we have a range of litigation funding proposals finalised for the COI to consider.

### 5 Cost of the liquidation

As outlined in our Initial Notice, at the Second Meeting of Creditors in the Administration, we sought creditor approval of our remuneration in the Liquidation as follows;

- Remuneration for 27 March 2020 to the conclusion of the Liquidation for the amount \$482,100 plus GST.
- Internal disbursements for 27 March 2020 to the conclusion of the Liquidation for up to \$1,000 plus GST.

To date \$160,690 has been drawn that largely relates to:

- items required to complete the trading undertaken during the voluntary administration, such as closure of account, payment to suppliers

- statutory reporting, such as workers compensation and payroll tax
- dividends to employees for their priority claims and to the National Australia Bank as secured creditor
- investigations, discussions with potential funders and the advance of some liquidators' claims.

## 6 What happens next?

We will proceed with the liquidation, including:

- completing our investigations into the Co-Operative's affairs
- pursuing the claims we have identified
- completing our reporting to the corporate regulator, the Australian Securities and Investments Commission (ASIC)
- completing tasks to declare and pay a dividend to creditors in accordance with their priority
- dealing with any other matters relevant to the liquidation.

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

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

## 7 What to do next?

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

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

- Australian Restructuring Insolvency and Turnaround Association at [www.arita.com.au/creditors](http://www.arita.com.au/creditors)
- ASIC at [www.asic.gov.au](http://www.asic.gov.au) (search for "insolvency information sheets").

DATED this 30<sup>th</sup> day of June 2020.



Phil Carter  
Liquidator

Date of appointment:	27 March 2020
Contact name:	Harrison Stanton
Telephone number:	+61 (2) 8266 3312
Email:	<a href="mailto:harrison.stanton@pwc.com">harrison.stanton@pwc.com</a>

## Annexure A – Proof of debt form

[www.pwc.com.au](http://www.pwc.com.au)



**FORM 535**  
Corporations Act 2001

**FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

To the Liquidators of University Co-Operative Bookshop Limited (In Liquidation) **(the Co-operative)**

1. This is to state that the Co-operative 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:

<b>Date</b> (date when the debt arose)	<b>Consideration</b> (state how debt arose and attach supporting documentation)	<b>Amount (\$)</b>	<b>Remarks</b> (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 co-operative, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

<b>Date</b>	<b>Drawer</b>	<b>Acceptor</b>	<b>Amount (\$c)</b>	<b>Due Date</b>

\*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 Co-operative    |
| <input type="checkbox"/> Monthly statements         | <input type="checkbox"/> Statutory demand     | <input type="checkbox"/> Credit application | <input type="checkbox"/> Guarantee from Co-operative |
| <input type="checkbox"/> Creditors authority letter | <input type="checkbox"/> Other documents      |   |  |

Complete all sections

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

Phone ..... Email address.....