

**University Co-operative Bookshop Limited
(Administrators Appointed)
ARBN 009 937 160**

Administrators:

Philip Patrick Carter

Daniel Austin Walley

Andrew John Scott

Voluntary Administrators' report

18 March 2020

Glossary

Abbreviations	Definitions
Act	Corporations Act 2001 (Cth)
Administrators	Philip Patrick Carter, Daniel Austin Walley, Andrew John Scott
AEDST	Australian Eastern Daylight Savings Time
Alpin	Alpin Advisory Pty Limited
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
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Bookstores	The network of 32 on-campus bookstores and a retail outlet in Phillip Street, Sydney selling textbooks and general merchandise. The Bookstores business was sold to Booktopia on 30 January 2020
Booktopia	Booktopia Pty Ltd ACN 096 845 126
CNL	The Co-operatives National Law (as set out in the appendix to the NSW Co-op Act)
Co Info	Co Info Pty Ltd (in liquidation) ACN 165 442 026
COI	Committee of Inspection
Co-op	University Co-Operative Bookshop Limited (Administrators Appointed)
CP	The retail network of 64 stores across Australia trading as Curious Planet. CP ceased trading in mid-February 2020 as no purchaser for the business could be found
D&O Policy	Directors and Officers insurance policy
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
Deed	Deed of Company Arrangement
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 (eg the financial year 1 July 2018 to 30 June 2019 would be expressed as FY19)
Jacaru	Jacaru Australia Pty Ltd ACN 633 019 717
HOA	Heads of Agreement
IPR	Insolvency Practice Rules (Corporation) 2016
IPS	Insolvency Practice Schedule (Corporations)
k	Thousand
M	Million
NSW Co-op Act	The Co-operatives (Adoption of National Law) Act 2012 (NSW)
PMSI	Purchase Money Security Interest as defined in the PPSA
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register – a register set up under the PPSA for the registration of security interests
ROCAP	Report on Co-op Activities and Property
Report	This report, prepared pursuant to IPR 75-225 and section 439A of the Act about the business, property, affairs and financial circumstances of the Co-op
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 Co-op
YTD	Year to date, a period starting from the beginning of the current financial year and continuing up to a defined date (eg monthly management accounts from 1 July 2018 to 31 January 2019 would be expressed as 'YTD January 2019')

Contents

1. Disclaimer	5
2. Executive summary	6
2.1. Appointment background	6
2.2. Report's purpose	6
2.3. Administrators' opinion	6
2.4. Second meeting of creditors	6
2.5. Deed of Company Arrangement	6
2.6. Estimated return to creditors	7
2.7. Offences and liquidation recoveries	7
2.8. Administrators' overview	7
2.9. Remuneration	8
3. Introduction	9
3.1. Appointment information	9
3.2. Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)	9
3.3. Report's purpose	9
3.4. Purpose of second meeting	9
3.5. Second meeting details	9
3.6. Meeting registration	10
3.7. Committee of Inspection (COI)	10
3.8. Further information	10
4. Co-op background	11
4.1. Co-op overview	11
4.2. Co-op regulation and structure	11
4.3. Corporate timeline	12
4.4. Statutory information	12
4.5. Creditors' claims	13
4.6. Unsecured Creditors	16
4.7. Related entities	16
5. Conduct of administration	17
5.1. Summary of tasks undertaken	17
5.2. Committee of Inspection	17
5.3. Extension of convening period	18
5.4. Curious Planet	18
5.5. Bookstores	19
5.6. Sale of business process	20
6. The Co-op's financial background	22
6.2. Co-op's financial performance - Profit and Loss	24
6.3. Co-op's financial position - Balance Sheet	25
6.4. Directors' Report on Company Activities and Property (ROCAP)	26
7. Investigations	28
7.1. Directors' explanation for the Co-op's difficulties	28
7.2. Administrators' opinion of the reasons for the Co-op's difficulties	28
7.3. Insolvency	28
7.4. Legal/class actions	31
7.5. Outstanding or previous winding up applications	31

7.6. Books and records	31
8. Offences and liquidation recoveries	32
8.1. Voidable transactions	32
8.2. Insolvent trading	32
8.3. Other transactions	33
8.4. Offences	34
8.5. Directors' personal financial position	34
8.6. Auditor claims	35
8.7. Public examinations	35
8.8. Reporting offences to ASIC	36
8.9. Costs of investigations and pursuing recovery actions	36
8.10. Funding investigations and recoveries	36
9. Deed of Company Arrangement	37
10. Estimated return to creditors	38
11. Administrators' opinion	39
11.1. Administration to end	39
11.2. Deed	39
11.3. Liquidation	39
11.4. Opinion	39
12. Enquiries	40
Appendices	41
Appendix A – Notice of meeting of creditors	
Appendix B – Proxy form	
Appendix C – Proof of debt form	
Appendix D – Remuneration approval request	
Appendix E – Information sheets	
Appendix F – Details of identified secured creditors	

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 Co-op'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 Co-op 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 Patrick Carter, Andrew John Scott and Daniel Austin Walley of PricewaterhouseCoopers were appointed joint and several Administrators of the Co-op and its subsidiary Co Info on 24 November 2019 by the directors under s436A of the Act.

2.2. Report's purpose

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

2.3. Administrators' opinion

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

- The administration to end with control of the Co-op reverting to the Directors. It is evident that the Co-op is insolvent and this would be inappropriate in the present circumstances
- Consent to the Administrators executing a Deed of Company Arrangement (**Deed**). A Deed has not been forthcoming and this option is unavailable to creditors
- Wind up the Co-op (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 Co-op 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 27 March 2020
Registration:	1:30 pm
Meeting time:	2:00 pm AEDST
Location	Portside Conference Centre 207 Kent Street Sydney NSW 2000

Whilst there will be a physical meeting at the Portside Conference Centre (the same venue as the first creditors' meeting), there will be teleconference facilities available.

We strongly encourage creditors to attend by teleconference given advice from the Australian Government Department of Health and Department of Foreign Trade and Affairs on how to manage the health risks posed by COVID-19

Details on teleconference facilities are provided at **Appendix A**.

If in doubt, please email harrison.stanton@pwc.com for further information.

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
- Form 535 - Proof of Debt.

Forms must be submitted by no later than 4.00 pm AEDST on Thursday, 26 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 Co-op 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	8.6	17.0
Employees	100	100
Unsecured creditors	Nil	26.1

2.7. Offences and liquidation recoveries

Our preliminary view is that the Co-op may have been insolvent from at least June 2019. At that time:

- 70% of the Co-op's aged accounts payable balance was over 90 days' old
- the Co-op was suffering considerable trading losses for the Bookstores and CP businesses
- the Co-op was projecting significant cash flow shortfalls and had limited bank facilities available
- management had identified concerns with respect to the cash position of the Co-op.

Further investigation would be required by a liquidator in order to reach a conclusion on when the Co-op became insolvent.

Our preliminary investigations have identified potential offences and liquidation recoveries that a liquidator may investigate further including:

- voidable transactions
- trading whilst insolvent
- breaches of directors' and officers' duties
- failure to maintain proper books and records
- whether false or misleading information was provided to the auditor in connection with the FY19 audit.

2.8. Administrators' overview

2.8.1. Conduct of administration

Since our appointment we have:

- notified relevant stakeholders of our appointment, including Fair Trading NSW, ASIC, and the ATO
- prepared and issued notice of the First Meeting to creditors
- held the first meeting of creditors on 4 December 2019
- held four COI meetings
- applied to the Court seeking an extension of the convening period for the Second Meeting
- continued to operate the CP network and Bookstores on as close to a 'business as usual' basis as possible
- liaised with various stakeholders including the secured creditor, employees, and suppliers to ensure ongoing support for the business during the trade-on period
- conducted a 'sale of business' campaign seeking purchasers for all or part of the Co-op's business and/or assets
- negotiated and concluded the sale of the Bookstores business
- implemented a wind-down plan for the CP retail network when no purchaser could be found for the business
- conducted preliminary investigations for the purpose of reporting to creditors
- met with certain directors and their legal representatives to discuss the status of the Administration
- prepared this report and annexures, including meeting documentation and our Remuneration Approval Report
- convened the Second Meeting.

2.8.2. Co-op financial background

- The Co-op, excluding Co Info's performance, was loss-making every year for at least the last four years
- There are balance sheet misstatements in the management accounts that materially overstated assets
- We have sighted three reports to the Co-op that identify material internal control issues and inadequate understanding and use of the financial systems, none of which appear to have been acted upon.

2.8.3. Reasons for the Co-op's difficulties

We consider that the following factors are key to the Co-op's difficulties:

- sustained long term trading losses
- long overdue trade payables
- bank facilities at or near limits
- poor internal controls, accounting systems and governance.

2.9. Remuneration

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

Period	Amount (excluding GST) (\$)
Current and future remuneration approval sought:	
Administration	
Resolution 1: 24 November 2019 to 29 February 2020	\$1,587,489.50
Resolution 2: 1 March 2010 to the conclusion of the Administration *	\$307,234.00
Total for Administration	\$1,894,723.50
Liquidation	
Resolution 3: 27 March to the conclusion of the Liquidation *	\$482,100.00
Current and future internal disbursements approval sought:	
Administration	
Resolution 4: 24 November 2019 to 29 February 2020	\$882.05
Resolution 5: 1 March 2010 to the conclusion of the Administration *	Up to \$500.00
Liquidation	
Resolution 6: 27 March to the conclusion of the Liquidation *	Up to \$1,000.00
Total internal disbursements	\$2,382.05

*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 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 Patrick Carter, Andrew John Scott and Daniel Austin Walley of PricewaterhouseCoopers were appointed joint and several Administrators of the Co-op and its subsidiary Co Info 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 Co-op or related parties, our independence and any indemnities received relating to this appointment.

3.3. Report's purpose

The Administrators are required to investigate the Co-op's business, property, affairs and financial circumstances and report to creditors on:

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

We recommend that the Co-op be wound up (ie be placed into liquidation).

3.5. Second meeting details

The Second Meeting will be held on Friday, 27 March 2020 at 4:00 pm 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 the sale of business process while the business was continuing to trade, which we considered would provide the greatest opportunity to maximise the return to the Co-op's creditors
- conduct investigations into the Co-op
- allow the Directors or any other party to formulate a Deed if so desired. We note no Deed has been forthcoming.

Teleconference facilities will be available for creditors who cannot attend the Second Meeting in person.

If you plan to attend via telephone, please register your interest in advance by no later than 4.00pm on Thursday, 26 March 2020 by contacting harrison.stanton@pwc.com.

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 4:00 pm Thursday, 26 March 2020 to Harrison Stanton by email to harrison.stanton@pwc.com

Only creditors of the Co-op are entitled to attend and vote at the Second Meeting.

Whilst there will be a physical meeting at the Portside Conference Centre (the same venue as the first creditors' meeting), there will be teleconference facilities available. Creditors are encouraged to dial in and participate in the meeting, without attending in person. Teleconference details are included at **Appendix A**.

If creditors are attending in person, you 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 eight creditors was formed at the first meeting of creditors. Further details are provided in section 5.2.

We recommend that creditors establish a COI regardless of whether the creditors resolve to wind up the Co-op 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. Co-op background

4.1. Co-op overview

The Co-op was first incorporated as a Society under the *Co-operation Act 1932-1954* on 18 February 1958. It was established by students at the University of Sydney to buy, sell and exchange textbooks.

The Co-op became a Registered Australian Body and was listed on ASIC's register on 11 April 1975. Its Australian Registered Body Number (**ARBN**) is 009 937 160.

At the appointment date, the Co-op:

- operated two businesses:
 - Bookstores - comprising 32 leased stores on university campuses across Australia and one store in Sydney CBD, selling academic, professional and technical textbooks and other study aids to tertiary students. This business has been sold
 - CP - a retail network of 64 leased stores trading under the name 'Curious Planet', selling science, technology and novelty products. CP also had a growing online sales platform. This business has ceased trading as a buyer was not able to be found
- employed approximately 458 people across the Bookstores and CP networks and at its support office in Sydney
 - the employees' employment contracts have progressively been terminated, in line with the closure of CP and the Bookstores
 - the Administrators expect that employee entitlements will be paid in full by 29 May 2020
- had approximately 2.2 million members. The Administrators have not issued any correspondence to the Co-op's members as the administration process is focused on reporting to Co-op's creditors, including their prospects for obtaining a return from the administration.

Information regarding the Co-op's financial background is discussed in section 6.

4.2. Co-op regulation and structure

4.2.1. Regulation

The Co-op is a co-operative incorporated and registered in NSW. It is subject to various legislation, regulations and rules, including:

- the Co-operatives (Adoption of National Law) Act 2012 (NSW) (**NSW Co-op Act**)
- the Co-operatives National Law (as set out in the appendix to the NSW Co-op Act) (**CNL**)
- parts of the Corporations Act 2001 (**Act**).

Certain parts of the Act are applied to co-operatives under the CNL, including (subject to certain modifications) Part 5.3A of the Act. Accordingly, the Administrators were appointed to the Co-op under section 436A of the Act, in the same way administrators are appointed to companies.

4.2.2. Application of the IPS and IPR to the Co-op

The Administrators sought clarification from the Court as to whether the Insolvency Practice Schedule (Corporations) (**IPS**) and the Insolvency Practice Rules (Corporations) 2016 (**IPR**) applied to the administration of a co-operative registered in NSW.

The purpose for seeking the relevant orders (which was done in conjunction with the Administrators' application to extend the convening period for the Second Meeting) was to ensure that the provisions of the IPS and IPR that were applicable in the administration of a company registered under the Act applied to the administration of the Co-op.

The orders sought were made on 20 February 2020. The practical outcome of this is that the Administrators can conduct all aspects of the Administration of the Co-op as they would for a company.

4.2.3. Structure

At the appointment date, Co-op had two wholly-owned subsidiary companies:

- Co Info
 - Co Info was incorporated in August 2013 for the purpose of operating an online library business
 - The business was sold by way of a management buyout in September 2019. As a result of the sale, Co Info is no longer trading
 - The Administrators of Co-op are also the liquidators of Co Info. The second meeting of creditors of Co Info was held on 13 March 2020, at which its creditors resolved that Co Info be wound up.

- Curious Planet Pty Ltd ACN 636 993 032
 - This company was registered in October 2019 as an entity in which to preserve the name 'Curious Planet' in connection with a potential sale of the CP retail business. It has not traded and has no assets or liabilities.

4.3. Corporate timeline

4.3.1. Historical events and purpose of report

As noted above, the Co-op has operated for over 60 years. In that time, there appears to have been an evolution of its business model which, more recently, has come under scrutiny by some of Co-op's members. Whilst not minimising the history of the Co-op and the impact on members, the purpose of this Report is to provide creditors with information so that they can decide the future of the Co-op at the Second Meeting.

Accordingly, our focus is on events that have had a relevant impact (financial or otherwise) on the Co-op which have ultimately led to the appointment of administrators. We consider the three years prior to the appointment date sufficiently captures the key events for the purpose of this Report and therefore have limited our analysis and comments to the period commencing from around 1 July 2016.

4.3.2. Timeline of key recent events

Date	Key event
5 September 2016	Acquired certain business assets of the Australian Geographic retail chain from Myer Family Investment Trust
1 October 2016	Entered into a five-year 'Consultant Service Agreement' with Yassine Corporation Pty Ltd
1 April 2018	Last set of detailed board papers
1 February 2019	Entered into new finance arrangements with NAB
11 April 2019	Last minuted audit and risk committee meeting
1 May 2019	Meeting with NAB on status
13 June 2019	Last minuted board meeting
1 July 2019	Pronto 'health check' report
1 September 2019	Sold Co Info business to About3 via 'management buy-out'
1 September 2019	Amendment Deed and Letter of Non-Waiver from NAB
31 October 2019	Licence to use 'Australian Geographic' brand for retail and on-line sales cancelled by Australian Geographic Holdings Pty Ltd in August 2019, effective from the end of October 2019
1 October 2019	Appointed Alpin Advisory Pty Ltd to sell the CP business
1 November 2019	Letter of offer from Amir Hyster to acquire the CP business for \$1 plus stock at 50% of cost
1 November 2019	Draft 'audit completion report' by Rothsay
18 November 2019	Draft term sheet from PermaFunds Management Pty Ltd to acquire the CP business for \$29.5m
20 November 2019	Engagement of PwC to review and report to the Board
24 November 2019	Appointment of the Administrators

4.4. Statutory information

We have noted some discrepancies between the information contained in ASIC's database and that held by NSW Fair Trading regarding details of the Co-op and its directors and other officers.

Co-op details	NSW Fair Trading	ASIC
Date of incorporation	18 February 1958	11 April 1975
Registered office (current)	Shop 2, 153 Phillip Street, Sydney NSW 2000	<i>Not provided on ASIC search</i>
Registered office (previous)	Level 1, 15-17 Foster Street, Surry Hills NSW 2010	Level 10, 235 Jones Street, Ultimo NSW 2007

Current directors	Appointment date
Fatma Saaoud	1 July 2018 – current
Richard Francis Reilly	1 February 2016 – current
Joseph Merhi	19 April 2012 – current
Bradley Robert Newton	10 February 2012 – current
Ekaterina Shkurko	5 February 2011 – current
Dianne Yerbury	7 December 1999 – current

Former directors (within 24 months of our appointment date)	Appointment/cessation date
Steven Keith Jenkins	19 November 2018 – 24 September 2019
Janice Harkins	29 January 2010 - 11 September 2018
Mounir Junior Kiwan	15 November 2014 – 1 July 2018

Current Secretary	Appointment date
Lawrence Chen	13 May 2019 - current

Former secretaries (within 24 months of our appointment date)	Appointment/cessation date
Danny Sunh Lee	1 July 2017 - 13 May 2019

Source: ASIC and NSW Fair Work

4.5. Creditors' claims

At our appointment date, the claims of the Co-op's creditors totalled \$34.3M plus contingent claims. The following table summarises estimated claims by each known class of creditor.

Creditor class	Number of creditors	Amount (\$'000)	Report reference
Secured creditors			4.5.1
NAB circulating and non-circulating	1	13,025	4.5.2
PPSR - PMSI	20	222	4.5.3
PPSR - Non-PMSI	14	722	4.5.3
Employee entitlements			
Priority creditors	-	2,010	4.5.4
Unsecured creditors			
Trade/external creditors	525	15,197	4.6
Related entity (Co Info)	1	3,101	4.7
Total creditor claims	561	34,277	
Contingent creditors			
Contingent secured claims	1	Up to 2,140	4.5.2
Contingent unsecured claims	36	Not estimated	4.6.1

These claims may be subject to change.

These amounts have been derived from the:

- Report on Co-op Activities and Property (ROCAP) provided by the directors (further details provided at section 6.3)
- Co-op's books and records
- formal proof of debt or claim forms submitted by creditors.

4.5.1. Secured creditors

A secured creditor is a creditor that holds a security interest over some or all of a co-operative'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) eg debtors, stock and cash
- non-circulating assets (formerly known as 'fixed' assets) eg property, plant and equipment, land, goodwill and rights to dividends.

A search of the PPSR revealed the following security interests that were registered over the assets of the Co-op:

Creditor class	Number of creditors	No. of security interest(s)	Amount (\$'000)
APAAPWE*	1	1	13,025
APAAPNE**	1	1	Nil
Motor vehicle(s)	1	1	Nil
Other goods	31	36	944
Total secured creditor claims	34	39	13,969

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

** All present and after-acquired property – no exceptions (**APAAPNE**) held by Macmillan Science and Education Pty Ltd

The indicated values have been derived from Co-op's books and records, creditor claims and pay-out figures for leased assets. These are subject to change.

4.5.2. National Australia Bank

National Australia Bank's security comprises the following:

- General Security Deed dated 30 May 2013 between the Co-Op and Beta Investments Australia Pty Ltd ACN 135 053 557 (Beta Investments) as grantors and NAB as secured party. Beta Investments was deregistered on 14 September 2015
- General Security Deed dated 10 September 2014 between Co Info as grantor and NAB as secured party.

By a combination of the above security agreements, NAB has security over all of the assets of Co-Op and its subsidiary, Co Info.

Facility type	Facility limit	Term deposit set-offs	Net exposure (\$)
Bank guarantee	\$1.25m	(\$1.25m)	Nil
Bank guarantee	\$765k	-	\$765k
Corporate markets loan	\$13.075m	(\$925k)	\$12.15m
Corporate markets loan	\$1.0m	-	\$1.0m
Business cards	\$250k	-	\$250k
Direct entry limit	\$1.0m	-	\$1.0m
Total creditor claims	\$17.34m	(\$2.175m)	\$15.165m

NAB has advised its claim is currently \$13.025M in relation to the above facilities.

At the request of NAB, the Administrators gave their consent, pursuant to section 440B of the Corporations Act, to NAB exercising its security enforcement rights in respect of Co-op and Co Info after the end of the decision period subject to those enforcement rights being exercised over all of the property of the Co-Op. This has not been exercised to date.

4.5.3. Other PPSR creditors

As outlined in section 4.5.1, at our appointment there were 37 non-APAAP security interest registrations. Over the course of the administration, we have reviewed claims made by creditors and set out below what we believe to be the current potential claims for each class of PPSR creditor:

Item	Number of Registered Creditors	Value of creditor claim (\$'000)	Number of potentially valid claims	Administrators' estimate (\$'000)
PMSI Secured Creditors	20	2,262	3	222
Non- PMSI Secured Creditors	14	822	2	722
Total	34	3,084	5	944

These estimates are based on current information to hand and are subject to change. It should be noted that only valid and effective security interests which are PMSI in nature will have priority over the NAB's claim.

The value of claims submitted to date by creditors registered as PMSI is \$2.26M, of which we anticipate \$0.22M to be potentially valid and payable. Of the three potentially valid claims, there are currently two contingent claims which we are still clarifying with the relevant creditors but have provisioned for in the estimate.

Of the non-PMSI registrations, we anticipate two to be potentially valid to the amount of \$0.723M, noting that these amounts will rank behind the NAB, for whom a shortfall is anticipated. We have informed non-PMSI creditors of this and have not completed an assessment of the validity of each of the remaining PPSR registrations. As a result, the above information is provided for illustrative purposes only and may be subject to change.

Full details of secured creditors are provided at **Appendix F**.

4.5.4. Employees

Outstanding pre-appointment 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).

Wages have been paid in full following our appointment.

The table below details all known outstanding employee entitlements based on the Co-op's books and records and the ROCAP provided by the directors. There were several material items that were incorrect or not available from the books and records of the Co-op. We have worked through these items and have verified the entitlements to the best of our ability.

Entitlements	Total Amount (\$'000)
Wages (paid)	-
Annual leave	367
Long service leave	335
Pay in lieu of notice	389
Redundancy	919
Total Priority Creditors	2,010

Entitlements, particularly redundancy and pay in lieu of notice, may change very slightly depending on the timing of closure of the remaining Bookstores.

As at the date of the Administrators' appointment, no superannuation obligations were outstanding. Since appointment, superannuation obligations have continued to be met.

4.5.5. Fair Entitlements Guarantee (FEG)

We expect there to be sufficient assets available to enable outstanding employee entitlements to be paid in full.

If it becomes apparent that, either, there are insufficient funds, or if the time period in which we can pay the entitlements becomes protracted, then in the event that the Co-op is placed into liquidation, an employee may be eligible for payment of any shortfall in their employee entitlements (excluding superannuation) under FEG which is administered by the Attorney-General's Department.

Former employees must meet eligibility requirements outlined in the Fair Entitlements Guarantee Act 2012.

FEG advances are repaid to the Government if and when funds become available, in the same priority as employees' claims.

Further information can be found on FEG's website at www.ag.gov.au/FEG.

4.6. Unsecured Creditors

At the date of our appointment, the claims of the Co-op's unsecured creditors totalled \$18.3M as follows:

Creditor class	No of creditors	Co-op records or ROCAP amount (\$'000)
Trade creditors	436	15,197
Related entity (Co Info)	1	3,101
Total creditor claims	437	18,298

These figures are derived from the Co-op's books and records, directors' ROCAPs and our estimates based on new information received.

The Co-op's top 10 unsecured creditors (excluding Co Info) in value are:

No	Creditor (excluding related entities)	Amount per Co-op records (\$'000)
1	John Wiley & Sons Aust Ltd	1,011
2	TPF Think	738
3	Tasco Sales (Aust) Pty Ltd	680
4	Thomson Legal & Regulatory Gro	629
5	Independence Studios Pty Ltd	588
6	Cengage Learning Australia Pty	538
7	Johnco Productions Pty Ltd	520
8	Product Management Group	375
9	Heebie Jeebies	355
10	MDI Australia	310
Total of top 10		5,744
Total unsecured creditors (excluding related entities)		15,197
% of total unsecured claims		37.8%

The indicated values have been derived from the Co-op's books and records, creditor claims and pay-out figures for leased assets. These are subject to change.

4.6.1. Contingent creditors

The pool of unsecured creditors' claims may be increased by unsecured 'contingent' creditors. Details of known contingent creditors are set out below:

- Paypal has advised that it intends to submit a claim against the Co-op. We note that Paypal has also withheld funds and we expect that these funds will largely offset against any claim it may have.
- There are 14 landlords that may have claims in relation to CP and 21 landlords in relation to the Bookstores. We are not able to provide an estimate of these claims at this stage.

4.7. Related entities

The Co-op's related entities and the quantum of their claims at the date of appointment are summarised below:

Related entity	Relationship	Co-op records or ROCAP amount (\$'M)
Co Info Pty Ltd	100% Subsidiary	3.101
Curious Planet Pty Ltd	100% Subsidiary	Nil
Total related entity claims		3.101

Related entity claims have not been verified or adjudicated upon. Based on our preliminary review of the Co-op's books and records, these claims have arisen from intercompany loans made by Co Info to the Co-op.

5. Conduct of administration

5.1. Summary of tasks undertaken

Since our appointment we have attended to the following tasks:

- notified relevant stakeholders of our appointment, including Fair Trading NSW, ASIC, and the ATO
- prepared and issued notice of the first meeting of creditors
- held the first meeting of creditors on 4 December 2019
- held four COI meetings
- applied to the Court seeking an extension of the convening period for the Second Meeting
- continued to operate the CP network and Bookstores on as close to a 'business as usual' basis as possible
- liaised with various stakeholders including the secured creditor, employees, and suppliers to ensure ongoing support for the business during the trade-on period
- conducted a 'sale of business' campaign seeking purchasers for all or part of the Co-op's business and/or assets
- negotiated and concluded the sale of the Bookstores business to Booktopia
- implemented a wind-down plan for the CP retail network when no purchaser could be found for the business
- conducted preliminary investigations for the purpose of reporting to creditors
- met with Co-op directors and their legal representatives to discuss the status of the Administration
- prepared this report and annexures, including meeting documentation and our Remuneration Approval Report
- convened the Second Meeting for 27 March 2020.

The first meeting of creditors of the Co-op was held on 4 December 2019, pursuant to s436E of the Act. A summary of the outcome of the first meeting may be obtained from PwC's website:

<https://insolvency.pwc.com.au/groupEntityCases/university-co-operative-bookshop-limited/>

5.2. Committee of Inspection

Creditors resolved at the first meeting that a COI be formed comprising the following members:

Representative names	Representing
Elizabeth Saunders (employee)	Self
Greg Spencer	SBG Pty Ltd t/as Spencer Brands Group
Ann Cunningham	Reed International Books Australia Pty Ltd t/as LexisNexis
Ed Smith	Sydney University Sports & Fitness
Nigel Kirby	Science and Nature Pty Ltd
Scott Allan (replaced) Raj Shan	Venross Pty Ltd t/as VR Distribution
Kevin Stokes	Thomson Reuters (Professional) Australia Ltd
Linda Hickey	Independence Studios Pty Ltd

Four COI meetings have been held during the administration:

- 12 December 2019 – held concurrently with the Co Info COI meeting to discuss the proposed extension to the convening period
- 9 January 2020 - held to provide the COI with a summary of the proposed sale transaction with Booktopia for the sale of the Bookstores assets
- 7 February 2020 - held to provide the COI with details of the completed transaction with Booktopia and to update on progress in our investigations and the administration generally
- 16 March 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.

5.3. Extension of convening period

Based on the appointment date, the convening period for the Second Meeting was due to end on 20 December 2019, with the Second Meeting to be held no later than 31 December 2019.

On 16 December 2019 we filed an application in the Supreme Court of New South Wales for orders to extend the convening period by up to three months. We considered that an extension was in the best interests of creditors for the following reasons:

- if the statutory timetable was followed, it would have been highly unlikely that the Administrators could complete a sale of the whole, or part, of the Co-op business prior to the Second Meeting
- in these circumstances, the only alternative would have been for the Administrators to recommend a winding up of the Co-Op, resulting in the prospects of maximising value for creditors via the completion of a going concern sale or other restructuring or recapitalisation proposal being lost
- the only realistic alternative to liquidation was if a Deed was proposed and the directors initially indicated that they would consider doing so. There was also the prospect that a sale of the business may require a Deed. As a result, we wanted to preserve the opportunity for directors, a prospective buyer or any other party to propose a Deed
- if the Co-op was wound up:
 - the contracts of employment of the employees of the Co-op would be terminated; a potential going concern sale or other restructuring option preserved the possibility for Co-op employees to retain their employment, and in the meantime (ie during the extended convening period), the employees remained employed by the Co-Op
 - all leased premises would be vacated by the Co-op crystallising lease tail obligations and substantially increasing the quantum of pre-appointment claims in the insolvency of the Co-Op
- the continued trading of the CP business during the critical Christmas and holiday period was considered essential to maximising the value of the Co-op's most significant asset, its inventory, because of the significantly higher margins that could be achieved when sold in the ordinary course of business
- if a sale could not be completed before the Second Meeting, the Administrators would need to employ alternative strategies to realise the residual inventory holdings; this would likely involve a managed wind-down of the CP business to achieve higher margins via retail sales than what would be achieved by selling inventory via stock clearance agents
- planning for the Bookstores business to be ready for the next academic year, which involved tripartite discussions between the publishers, the universities and the Administrators to establish appropriate commercial terms under which the Administrators might place new orders, had only just commenced and would likely run through to the commencement of the 2020 academic year in late February 2020
- textbook inventory not sold in the ordinary course (ie via campus stores) would expect to achieve a marginal return via alternative sale methods.

Overall, in the Administrators' view, the return to creditors would likely to be maximised if the sale of the whole, or parts of, the Co-op business or other restructuring option was able to be implemented in respect of the Co-op and/or its business and assets, and for the sale process to be successful it would necessarily require an extension of the convening period.

We obtained orders from the Supreme Court of NSW on 17 December 2019 to have the convening period extended until 20 March 2020.

5.4. Curious Planet

5.4.1. Continued trading of CP

At the date of our appointment, the CP retail network comprised 64 stores operating across Australia, employing 79 permanent and 192 casual staff. The Co-op support office employed 28 permanent and 9 casual staff who assisted the CP retail network and the Bookstores.

Based on Co-op's inventory management system, Co-op held c.\$9.2M in stock across the CP stores (Co-op did not have a central warehouse). We have assessed the potential PMSI claims and communicated our position with the claimants, resulting in admitted claims to date of c.\$21k.

Given the timing of our appointment in late November, we were able to take advantage of the 'Black Friday' and Christmas/Boxing Day sale periods by implementing strategies to maximise sales via the retail network and online channels which would deliver the highest margins. We made a decision to start the Christmas/Boxing Day sales prior to Christmas which resulted in a strong response from the market and an increase in daily sales.

During the period leading up to Christmas, we placed orders for c.\$2.9M in new stock. We liaised extensively with the buying team at Co-op to ensure that we were only purchasing fast-moving items to ensure that we drove foot traffic in the stores to maximise the return to creditors from the wind-down of the CP stores.

Ultimately, we were unable to find a purchaser for the CP business (refer to section 5.6 below for further information on the sale process). We implemented a wind-down plan for CP commencing in mid-January to progressively close stores, and ceased trading the final CP stores on 9 February 2020, with the keys returned to landlords on 10 February 2020.

The wind-down plan generated c\$4.1M in a five week period which exceeded management's sales expectations by c\$200k and was achieved four weeks quicker than forecast. This generated a net return of c\$2.7M against a forecast net return of c\$1.7M, once the reductions in wages and rent were taken into account.

Whilst the sale process for CP was not successful, the outcome from the store wind-down plan did exceed expectations, and we were able to sell most of the residual stock via the stores.

5.4.2. Jacaru stock

Within the stock figure mentioned above, Co-op held c.\$284k of stock supplied by Jacaru on appointment. Jacaru is a business in which the CEO of Co-op, Thorsten Wichtendahl is a director and indirectly holds the majority (55%) of its shares. The stock on appointment had been acquired from Jacaru via a series of pre-payments which allowed Jacaru to pay for the manufacture of the goods in order to supply the Co-op. This purchase strategy was unique to Jacaru and was not applied to any other suppliers.

From the date of our appointment to 31 January 2020, we sold c.\$328k of stock at a gross profit of c.\$110k.

The Administrators reached an agreement with Jacaru whereby residual stock at 16 January 2020 could be returned for a refund at cost price up to a combined value of \$220k (inc GST). We made a decision to continue to sell through the Jacaru stock until 31 January 2020 as, until that date, the sales of Jacaru stock maintained a positive margin, which generated a better financial outcome for creditors than returning the stock at cost price. We subsequently returned all remaining stock to Jacaru and were issued with a credit note in the amount of \$44k (inc GST) which has been paid in full.

In consideration for Jacaru agreeing to the arrangements for the return of unsold stock, the Administrators granted Jacaru and its officers, employees and agents a release of claims. However, that release is limited to a release of claims in relation to the prepayment for the stock purchased by the Co-op.

5.4.3. Australian Geographic (AG) licence

The AG licence was terminated due to non-payment of licence fees by the Co-op in August 2019.

We met with AG shortly after our appointment to discuss the status of the licence. AG indicated that it could consider reinstating the licence if a new owner for the CP business was found. A buyer for the CP business could not be found and therefore no further discussions on the licence were held with AG.

5.5. Bookstores

At the date of our appointment, there were 32 stores operating on campuses across Australia, employing 59 permanent and 91 casual staff. Additionally, Co-op operated a retail outlet in Phillip Street, Sydney which primarily supplied books to the legal community.

Based on Pronto records, the Bookstores held c.\$6.5M in stock across the campus and CBD store. The Co-op did not have a central warehouse. Of the stock on hand, c.\$922k was potentially subject to PMSI claims. We have assessed the claims and communicated our position with the claimants, we have provisioned for claims to be in the vicinity of \$222k.

Given that our appointment as administrators was made in late November, student activity on campus was low, as the 2019 academic year was effectively complete. However, it was still a busy time of year for interaction with the universities around finalising and ordering textbook lists, and we were under immediate pressure from both customers and suppliers to demonstrate that the Co-op would be able to fulfil university, academic staff and student needs for the 2020 year.

In mid-December, we approached publishers and universities to request them to consider 'risk sharing' strategies to facilitate ordering of new supply, but there was limited interest in our proposal. We were reluctant to commence ordering textbooks for semester one as the required quantity of orders was estimated to be around \$13M, and we considered that the risk that stock would not sell through was too high. This further heightened the pressure on the need for a successful outcome to the sale process.

On 30 January 2020, we executed the Booktopia agreement (refer to Section 5.6.2 for further information on the sale transaction). Inter alia, this gave the universities and suppliers comfort that textbooks could be purchased by students through Booktopia's online platform.

It was agreed that under this agreement we would continue to operate the campus bookstores under the control of the Administrators for a period of at least four weeks commencing from the start of each university's academic year, in order to meet the first semester needs of students and ensure a smooth start to the academic year. Accordingly, the campus bookstores will commence closing from 22 March 2020 to 7 April 2020. Bookstore employees have been given an indicative date for their respective store closure, however these are subject to change depending on the progress of stock sales.

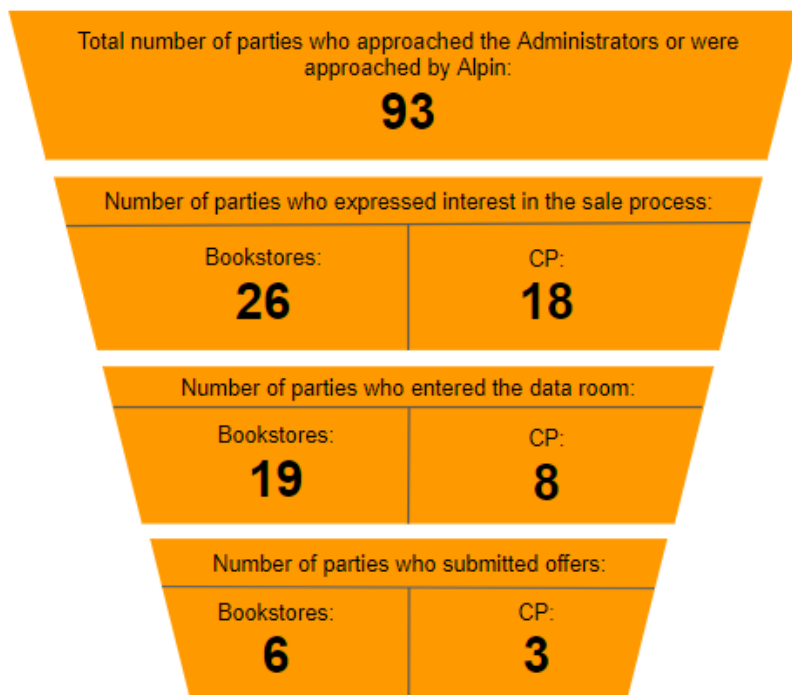
At the date of this report the Bookstores have sold \$2.4M of stock held at our appointment, and \$0.5M of the stock that we purchased for \$0.4M. We estimate sales to the closure of all stores will be a further \$0.5M.

5.6. Sale of business process

In October 2019, prior to the appointment of the Administrators, Alpin had been engaged by the Co-op to conduct a sale process in respect of the Curious Planet business and had been in contact with approximately 50 prospectively interested parties.

Following our appointment, and in order to maintain momentum in the sale process, we re-engaged Alpin to conduct a broader sale process in respect of the Co-Op's business or assets, including both the CP and Bookstores businesses, in one line or separately, by way of business or asset sale, utilising a Deed if required by the purchaser.

The proposed sale was advertised in the Australian Financial Review on 3 December 2019. The diagram below, sourced from Alpin, summarises the level of interest generated from the sale process.



5.6.1. Outcome for the CP business

Notwithstanding offers were received for CP, the Administrators could not accept any of the offers presented for the following reasons:

- The CP store closure program was forecast to yield a better outcome than the offers received.
- The IP database was unable to be sold separately due to privacy reasons.

In addition to the above, other factors which deterred perspective purchasers were:

- Only two of the CP stores had produced a profit in the past six months.
- The timing of the administration was such that any sale would likely be completed just after the peak retail season.
- There was no appetite from the market to acquire or increase the already substantial leasing footprint.

5.6.2. Sale of Bookstores to Booktopia

By 20 December, six offers had been received for the Bookstores business. Between 20 and 24 December, efforts were focussed on the two best offers received, which were close in value. Ultimately, we selected Booktopia as the preferred bidder as it had the fewest conditions, such as not requiring a stocktake, was undertaking the most due diligence activity, and offered the most urgent sale timetable.

The Administrators signed a Heads of Agreement (HOA) with Booktopia on 24 December 2019 which effectively provided Booktopia exclusivity until 20 January 2020 to complete its due diligence. The HOA also outlined the key terms of the sale including:

- purchase price for all asset classes (ie certain intellectual property (IP), new textbook stock, second hand textbooks, general merchandise)
- no less than 10 employees would be offered positions and their entitlements would transfer
- transitional arrangements to keep campus stores open to facilitate sale of books and merchandise to students for the first semester of 2020.

The due diligence process and negotiations between Booktopia and the Administrators continued through January 2020, taking approximately two weeks longer than expected in order to resolve specific issues relating to the use of certain IP, and clarifying the status of registered security interests over Co-op's assets. Sale contracts were exchanged and completed on 30 January 2020, and included the following key terms:

- IP - unconditional purchase for \$550k.
- Stock - ownership of stock on hand retained by Co-op, to be sold via campus stores with a guaranteed minimum outcome of \$1.45M. At the date of this report the stock realisations have exceeded \$1.45M and, as a result, this guarantee is no longer payable.
- 10% commission on online sales over \$5M and up to \$15M which originate from the Co-op website but are made by Booktopia to 30 June 2020. As at 15 March 2020, \$2.7M of online sales have been generated through this sales channel.
- Employees - offers to a minimum of ten employees with their accrued entitlements transferred to Booktopia. Booktopia has advised us that it has made, or intends to make, offers to eleven employees that will transfer entitlements of approximately \$150k. The total entitlements transferred consist of \$31k of annual leave, \$4.5k of long service leave, \$32k of pay in lieu of notice and \$82k of redundancy.
- Transitional arrangements - campus stores to remain open under the control of the Administrators to approximately the end of March to smooth the handover to Booktopia and to sell-down the stock on hand.

6. The Co-op's financial background

The financial and income tax reporting of the Co-op was prepared on a consolidated basis with its 100% subsidiary, Co Info, which reported to the Co-op on a monthly basis for this purpose. The Co-op had reporting year end dates as follows:

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

The Co-op used Pronto to maintain financial records and Magento to provide digital sales.

The books and records of the Co-op do not appear to be maintained to an appropriate standard for an organisation of its size and complexity.

6.1.1. Crowe Horwath internal audit report (November 2017)

Crowe Horwath conducted an internal audit review of the Co-op's cash management and cash forecasting processes. The report dated 3 November 2017 provided the following observations and recommendations:

- Variance of Accounts Receivable in the amount of \$137k between the general ledger and sub-ledger account. Subsequently Crowe Horwath identified that balance sheet reconciliations were not formally reviewed by an independent person and signed off as evidence of review. Its review of the accounts receivables reconciliations for the previous 12 months noted that variances were also not supported by sufficient documentation.
- Identification of \$2.6M of Accounts Receivable items that were not true debtors.
- No formal policy for debtor collections, no formal monitoring of debtors aged trial balance, and invoicing issues that impacted collectability of debtors.
- No 12 month rolling cash forecast was in place and the annual budgeting forecast had cash variances of up to 644%.

6.1.2. Pronto health check (July 2019)

Pronto conducted a finance health check in July 2019. The health check identified 27 quick wins that needed to be addressed immediately by the Co-op and reported the following key issues:

- Lack of internal reconciliation procedures and hence a large number of transactions in key balance sheet accounts had not been reconciled in Pronto. While conducting this health check the Pronto consultant was "extremely concerned by the lack of proper reconciliation procedures for all major balance sheet accounts".
- Lack of knowledge within the finance team of non-financial Pronto modules, making use of the system difficult and no manuals available documenting processes.
- When a new business process was introduced, there was no consulting or testing done by the finance team.
- The finance team ran "as solo" with little interaction with other operational units. It was observed that the team lacked knowledge of the operational business processes which fed transactions into the finance ledger.
- Discrepancies between Pronto and Magento with no knowledge of the correct data set – for example both systems had a liability estimate for gift cards that varied between the two systems, and the finance team was unable to provide the actual gift card liability.

6.1.3. Rothsay draft audit completion report (November 2019)

Rothsay Audit and Assurance were appointed the auditors for FY19. They provided a draft audit completion report in November 2019 that identified the following risks:

- The CP business was classified as *Assets Held Available for Sale* with a recorded value of \$26.2M. Rothsay considered that an emphasis of matter should be included in their auditor's report for the FY19 financial statements.
- Goodwill of \$6.3M for the CP business was not required to be impaired based on a non-binding letter of offer in the amount of \$29.5M for the CP business. Further details are provided in section 8.6.
- Issues with most balance sheet reconciliations that would result in significant adjustments to the financial position and performance of the Co-op.
- No appropriate reconciliation of cash balances, resulting in an adjustment to cash balance of \$1.2M in June 2019.

In addition to the above, Rothsay identified 16 recommendations to improve internal controls, including to:

- undertake a daily reconciliation of bank accounts – there is no record of the Co-op conducting bank reconciliations
- review reconciliations when they are prepared – Rothsay noted the trade debtors control account reconciliation showed many old and large outstanding balances indicating that, while a reconciliation was completed for FY19, it was not reviewed
- ensure all balance sheet accounts are reconciled on a monthly basis – examples cited include:
 - two clearing accounts that appeared to have funds when they should have been nil (Zip Money Clearing for \$1k and OxiPay Clearing for \$25k)
 - the property plant and equipment fixed asset register didn't match the respective balance sheet accounts, and
 - the trade creditors and other payables accounts took over one month to be provided by the finance team following the request by Rothsay
- ensure that employee pay rates are evidenced and easily accessible, long service leave uses the correct start date, employee information is complete and payroll codes are correctly set up for superannuation
- have a members register prepared and reconciled to the trial balance
- consider the safe harbour provisions of the Act.

There were three major audit adjustments made by Rothsay in the FY19 financial statements that were not adjusted for in the management accounts as at our appointment date:

- the Gift Voucher account understated the gift card liability by c.\$1.8M
- the Cash and Cash Equivalents accounts as at 30 June 2019 was overstated by \$1.2M, which was largely driven by the Co-op's finance team not conducting bank account reconciliations
- the Goods Received Not Invoiced account as at 30 June 2019 was overstated by \$3.1M due to a \$5M parking permit expense which had been journaled to the account in error, errors with consignment stock setup and offset by goods returned without a credit note.

The effect of the above is that the net asset position as at 30 June 2019 was reduced by c.\$6.1M.

We note that the audit adjustments highlighted by Rothsay adjusted the opening balances for FY19 (ie adjusted the balances brought forward from the FY18 financial accounts) which also raises concerns with respect to the FY18 audit report.

6.1.4. Directors' meetings

The Co-op held directors' meetings every second month in FY18 and once a quarter in FY19. Board reports were circulated to directors by email approximately one week before a meeting. The board reports contained information including workplace health and safety, CEO update, business update and financial report.

We have the following concerns with the board reports:

- the financial update was located towards the end of the report and didn't provide divisional level data for the Bookstores, CP or Co Info
- they relied on management accounts that contained material errors that inflated net assets, including the cash position
- they included inventory, debtor and account payable details that didn't reconcile to the management accounts for various reasons such as Co Info not being consolidated at this level.

The minutes of directors' meetings are extremely brief, and lack significant detail of the topics discussed at the relevant board meeting.

6.1.5. Administrators' preliminary findings

Since our appointment we have had discussions with the Co-op finance team and Rothsay, at which the following items have been raised:

- Blurring of records between the divisions of the Co-op (Bookstores, CP and Co Info) where the divisional performance and balance sheet position is not recorded.
- Overhead costs were allocated as a percentage of revenue without any calculation to apply costs to the division that incurred the cost. For example, Co Info was largely operated and managed without the assistance of Co-op's support office, however they were allocated 70% of the support office overhead costs (\$4.4M) in FY19. It appears that this was done to alleviate the losses in the Bookstore and CP divisions.
- A manual journal entry in the FY17 financial accounts increased the value of Goodwill by \$6.28M and fixtures and fittings by \$4.8M. The balancing item was journaled to Sundry Income, which increased profit for FY17 by \$10.65M. We note that accounting standards prohibit the revaluation of purchased goodwill and revaluation of fixed assets, which should be adjusted for in a revaluation surplus account (ie an equity account) so that the revaluation does not increase profit. We note that the FY17 financial statements were not adjusted accordingly, and instead incorrectly included the increase in profit.

The above discrepancies in the management accounts and FY18 audited financial accounts, the lack of internal controls and the missing transactional data prior to September 2017 raises significant concerns regarding:

- the adequacy of the Co-op's books and records
- the capability of management
- the quality of the information being provided to the directors
- the quality of information used to make decisions
- the adequacy of the directors' oversight of management.

6.2. Co-op's financial performance - Profit and Loss

Key Comments

- The Co Info division was the largest contributor to net profit, with profit before tax of \$7.4M and \$8.1M in FY18 and FY19 respectively
- At the end of FY17, a manual asset revaluation journal entry increased *Other Income* by \$10.65M, converting a \$10M loss to a \$0.6M profit
- The FY19 unaudited accounts were prepared on the basis that Co Info and CP were available for sale, hence the substantial drop in revenue (ie revenue for these divisions was incorporated in "profit/loss from discontinued operations")

	Notes	FY16 \$'000	FY17 \$'000	FY18 \$'000	FY19 \$'000
Revenue	1	133,029	184,805	155,769	42,178
Cost of sales	2	(102,251)	(134,802)	(115,282)	(30,294)
Gross profit		30,778	50,003	40,487	11,884
<i>Margin %</i>		23.1%	27.1%	26.0%	28.2%
Other income	3	2,838	13,874	1,891	2,016
Marketing expenses		(1,679)	(2,768)	(1,590)	(702)
Occupancy expenses		(5,433)	(18,680)	(13,056)	(2,330)
Employee benefit expenses		(19,328)	(28,458)	(18,323)	(8,671)
Depreciation & amortisation expenses		(1,804)	(3,061)	(2,177)	(1,580)
Administration expenses	4	(6,560)	(9,979)	(5,784)	181
Borrowing costs		(210)	(331)	(221)	(113)
Profit / (Loss) before tax		(1,397)	599	1,226	685
Income tax expense	5	-	-	-	750
Profit / (Loss) after tax (continuing operations)		(1,397)	599	1,226	1,435
Other comprehensive Income		-	-	-	-
Profit / (Loss) from discontinued operations	6	-	-	-	(3,344)
Total comprehensive Profit / (Loss)		(1,397)	599	1,226	(1,909)

Periods of financial accounts

FY16: 1 September 2015 to 31 August 2016 (12 months)

FY17: 1 September 2016 to 31 August 2017 (12 months)

FY18: 1 September 2017 to 30 June 2018 (10 months)

FY19: 1 July 2018 to 30 June 2019 (12 months)

Notes

1. Revenue for FY19 is for the Bookstores business only on the basis that the CP and Co Info businesses are reported in Profit / (Loss) from discontinued operations (see note 6). The comparative FY18 revenue for the Bookstores business only was \$55.4M. The lower revenue in FY19 of \$13.2M was a result of the reduced stores footprint (33 stores at the end of FY19 compared to 53 at the end of FY18).
2. Similar to revenue in FY19, the *Cost of sales* is for only the Bookstores business. Comparative FY18 *Cost of sales* was \$42.1M.
3. At the end of FY17, a manual asset revaluation journal entry increased *Other Income* by \$10.65M, converting a \$10M loss to a \$0.6M profit. We note that increasing revaluation journals should be made to *Other comprehensive Income* in accordance with accounting principles.

4. The administration expenses of positive \$180k in FY19 (expenses should be negative) is an example of the misallocation of support office costs. The allocated overhead is so heavily allocated to the divisions, and in fact in an amount larger than the actual overhead costs, that the balancing items (the Bookstores and support office) that were not moved to *Profit / (Loss) from discontinued operations* are positive.
5. At the end of FY19, the deferred tax assets were increased by \$750k on the expectation the Co-op would make \$500k profit before tax each year for the following five years (ie the Co-op would be able to use carry forward losses over the following five years with no tax payable. This creates an asset being the future saving on tax). As the asset accounts increased a counterbalancing journal was posted to increase profit by the same amount.
6. The business of Co Info, a wholly owned subsidiary of the Co-op, was sold for the sum of \$1.85M plus stock on 25 September 2019 and the CP business was considered available for sale on 30 June 2019. Accordingly, the Co-op reported these divisions in *Profit / (Loss) from discontinued operations*. The profit from Co Info in FY19 was \$2.8M, and the loss from the CP business was \$6.1M, combined they result in a net loss of \$3.3M.

6.3. Co-op's financial position - Balance Sheet

Key Comments

- We believe the carrying values of goodwill and debtors have been significantly overstated for a number of years
- FY19 unaudited accounts were prepared on the basis that Co Info and CP were available for sale, resulting in an overstatement of current assets

The Co-op's combined financial position (Balance Sheet) for 31 August 2016, 31 August 2017, 30 June 2018 and 30 June 2019 is summarised below.

	Notes	31 Aug 16	31 Aug 17	30 Jun 18	30 Jun 19
Cash and bank balances	1	9,640	5,414	3,833	146
Trade & other receivables	2	12,024	13,529	13,072	14,597
Inventories	3	28,294	25,102	24,286	11,306
Assets held available for sale	4	-	-	-	21,090
Total Current Assets		49,959	44,045	41,191	47,140
Property, plant & equipment	5	4,389	11,514	13,561	4,633
Intangible assets	6	6,857	11,934	11,234	10,051
Restricted term deposit	7	-	-	-	1,290
Deferred tax asset	8	-	-	-	838
Total Non-Current Assets		11,246	23,448	24,795	16,811
Total Assets		61,204	67,493	65,986	63,951
Trade & other payables		35,332	40,715	28,097	32,527
Employment benefit provisions		962	912	733	880
Borrowings		-	-	10,000	11,700
Total Current Liabilities		36,294	41,627	38,830	45,107
Employment benefit provisions		156	433	454	93
Total Non-Current Liabilities		156	433	454	93
Total Liabilities		36,451	42,059	39,285	45,200
Net Assets		24,754	25,434	26,701	18,751
Members' shares		32,913	32,994	33,035	33,064
(Accumulated losses)/retained earnings		(8,159)	(7,560)	(6,334)	(14,314)
Total Equity		24,754	25,434	26,701	18,751

Notes

1. The Cash and bank balances for FY19 was adjusted by \$1.2M during the audit by Rothsay to \$0.1M.
2. \$12.1M of the balance of trade and other receivables in FY19 relates to Co Info, which has largely been collected by Co Info (ie this is not an asset of the Co-op). The remaining \$2.5M relates to unrecoverable prepayments (\$1.3M), unrecoverable debtors (\$0.6M), recoverable debts (\$0.2M) and unrecoverable security deposits (\$0.2M).
3. The inventory in FY19 contains only the Bookstores inventory.

4. The Co Info and CP divisions were classified as “available for sale” as at 30 June 2019. Accordingly, their inventory and plant and equipment of \$11.4M and \$9.7M respectively is combined in this account.
5. Property, plant and equipment increased by \$4.8M in FY17 following a revaluation of fixtures and fittings. See note 4 for the decrease in FY19. No material recovery from the sale of fixtures and fittings was obtained during the closure of the CP division and we do not expect a material return during the closure of Bookstores stores.
6. Intangible assets include goodwill, licence fees and other capitalised costs. Goodwill was revalued in FY17 increasing the value by \$6.28M. For FY19, Rothsay was provided with a non-binding letter of offer for the CP business to support the balance sheet value of goodwill in the draft accounts. We, however, believe that the intangible assets account as at 30 June 2019 is overstated in full.
7. Term deposit accounts held at NAB that secured bank guarantees. We do not expect this to be recovered.
8. 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. The Co-op’s history of losses would indicate the reported benefit was unlikely to be realised.

6.4. Directors’ Report on Company Activities and Property (ROCAP)

The directors of the Co-op were required to provide the Administrators with a ROCAP outlining the Co-op’s business, property, affairs and financial circumstances at the appointment date. The ROCAP was required to include:

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

All current Directors have provided us with ROCAPs in accordance with their responsibilities under the Act:

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	Director's ROCAP Book value \$'000
Assets subject to specific security interests	1	Nil
Relevant secured creditor claims		(13,025)
Surplus/(Deficit) on specific security interests		(13,025)
Other Assets:		
Sundry debtors	2	729
Cash on hand	3	Nil
Cash at bank	4	1,309
Stock	5	17,207
Plant and equipment	6	804
Surplus on specific security interests		(13,025)
Sub Total		7,025
<i>Less other creditor claims:</i>		
Employee entitlements	7	(1,411)
Deficit on specific security interests		Nil
Unsecured creditors		(13,071)
Surplus/(Deficiency) to creditors		(7,457)
<i>Plus Contingent assets</i>		Nil
<i>Less Contingent liabilities</i>	8	Nil
Surplus/(Deficiency) to creditors after contingencies		(7,457)

Notes

1. An estimated \$0.2M is anticipated to be valid and payable in relation to specific security interests over stock on hand.

2. We have recovered \$64k of sundry debtors. The remainder of debtors relate to rebates that are uncollectable due to being offset against a pre-appointment creditor balance.
3. Each store held a float and a limited balance in a safe. We estimate between \$200k and \$210k has been, or will be, collected as and when each store closes.
4. Cash at bank at appointment was \$248k. The reported amount of \$1.3M is inclusive of the cash at bank error highlighted by the Rothsay audit completion report referred to in section 6.1.3.
5. The records we have obtained record stock on hand of \$15.8M.
6. Plant and equipment related to fixtures and fittings across the store network. These are largely unrecoverable.
7. Employee entitlements are provided in section 4.5.4 of this Report.
8. There may be contingent liabilities for landlords and merchant facility providers. Further details are provided in sections 4.6.1.

7. Investigations

Key Comments

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

- The Co-op's failure would appear to be the result of poor cash flow from long term trading losses
 - We have concerns that the books and records of the Co-op do not correctly explain its performance and financial position. The books and records may therefore be deficient and give rise to a presumption of insolvency
 - Our preliminary view is that the Co-op was insolvent from at least June 2019 when it had insufficient funds to meet its debts as and when they fell due
-

We have conducted investigations into the reasons for the Co-op's failure to the extent possible in the available time. Further investigations will be conducted should creditors vote to wind up the Co-op 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 Co-op's difficulties

The Directors in the ROCAP have asserted that the Co-op did not fail and therefore do not attribute a cause of failure.

We invited the directors to meet with us and assist in our investigations of the Co-op's affairs. These meetings occurred on 10 and 12 March 2020. The directors consider that the Co-op failed when NAB withdrew its support in mid-November 2019.

7.2. Administrators' opinion of the reasons for the Co-op's difficulties

We disagree with the Directors and consider the primary causes of failure to be:

- sustained long term trading losses
- long overdue trade payables
- bank facilities at or near limits
- poor internal controls, accounting systems and governance.

7.3. Insolvency

Our preliminary view is that the Co-op was insolvent from at least June 2019 based on an application of the cash flow test as detailed below.

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

The methods of testing solvency include but are not limited to the Cash Flow Test and the Balance Sheet Test, which are examined below. The cash flow test aligns most closely to the definition of solvency in the Act and, in this case, we consider the balance sheet test to be unreliable given the deficiencies in the Co-op's books and records. Other indicators of insolvency are also present.

A liquidator is required to demonstrate that a co-operative is insolvent in order to pursue certain recovery proceedings.

7.3.1. Cash Flow Test

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

The available books and records indicate that the Co-op:

- Had considerable aged overdue debts to suppliers. As at 30 June 2019, 70% of accounts payable (totalling \$8.8M) were more than 90 days overdue.
- Had considerable trading losses for the Bookstore and CP businesses (after adjusting for abnormal items and Co Info profits). Losses totalled \$26.1M in the 3 years to 30 June 2019.
- Projected significant weekly cash flow shortfalls for the 18 months to July 2019 before changing its reporting process to only project payments it could make from available cash inflows.
- Had limited bank facilities available to pay debts as they fell due (\$3M as at 30 June 2019).
- Identified the need to "identify all areas of the business that could potentially provide an immediate positive impact on the cash position of the company" on 13 June 2019 (obtained from the board strategy day). The Co Info and CP businesses were thereafter offered for sale.

We consider these factors indicate that the Co-op was insolvent from at least June 2019.

7.3.2. 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 co-operative may not be able to pay its debts as and when they fall due.

Our preliminary analysis of the Co-op's records relating to working capital and net current assets did not disclose immediate liquidity issues. The Co-op reported as follows:

	FY16 \$'000s	FY17 \$'000s	FY18 \$'000s	FY19 \$'000s
Current Assets	49,959	44,045	41,191	47,140
Current Liabilities	36,294	41,627	38,830	45,107
Working Capital (Current Assets less Current Liabilities)	13,664	2,418	2,361	2,033
Working Capital/Liquidity Ratio (Current Assets/Current Liabilities)	1.38	1.06	1.06	1.05

In light of the balance sheet misstatements referred to above we consider that certain key asset/liability values may have been materially overstated. This would impact conclusions formed and weighting given to working capital and balance sheet tests in forming a view as to insolvency

7.3.3. Balance Sheet test

The Balance Sheet Test assesses solvency with reference to the Co-op's net asset position (ie the level of total assets relative to total liabilities).

Our review of the financial records has found that the Co-op's reported net asset position was positive throughout the period under review.

	FY16 \$'000s	FY17 \$'000s	FY18 \$'000s	FY19 \$'000s
Total Assets	61,204	67,493	65,986	63,951
Total Liabilities	36,450	42,059	39,285	45,200
Net Assets (Total Assets less Total Liabilities)	24,754	25,434	26,701	18,751

In light of the balance sheet misstatements referred to above, we consider that certain key asset/liability values may have been materially overstated. This would impact conclusions formed and weighting given to working capital and balance sheet tests in forming a view as to insolvency.

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

7.3.4. 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 ten of these indicators apply, or may apply, to the Co-op, as summarised below:

Indicator	Present	Comment
The company has a history of continuing trading losses	Yes	The Co-op has made trading losses every year, except FY17 where there was a revaluation of assets that increased income by \$10.65M and FY18 where c.\$7M of the recorded income was generated by Co Info
The company is experiencing cash flow difficulties	Yes	The Co-op forecast cash flow deficiencies from June 2018
The company is experiencing difficulties selling its stock, or collecting debts owed to it	Yes	The FY19 auditors of the Co-op's accounts expressed concerns that the Co-op was selling stock at lower than cost price
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	The Co-op had a number of payment arrangements in place, suppliers with cash on delivery terms and an aging accounts payable position indicating cash flow difficulties
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.	Yes	The Co-op received an eviction notice from its Surry Hills support office and vacated those premises in November 2019
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	At the time of the appointment of administrators, the Co-op's bank facility was close to fully drawn and National Australia Bank was preparing to engage an independent expert to review Co-op's financial position
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 FY19 auditors of the Co-op's accounts expressed concerns that the Co-op's balance sheet accounts were generally not being reconciled and information was slow in being produced In addition, since our appointment it has been difficult to obtain complete financial information, for example a workbook that reconciles the financial statements to management accounts
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	No	Although we draw creditors' attention to section 8.6
The company has defaulted, or is likely to default, on its agreements with its financier	Yes	The Co-op defaulted on the NAB facility on several occasions
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	We have sighted emails of the financial and buying team raising concerns with respect to "cash flow challenges" and correspondence from suppliers requesting payment of overdue invoices
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	Co Info's business was sold but the sale did not provide sufficient funds to pay Co-op creditors See section 8.6 with respect to our concerns with the non-binding offer and its impact on the FY19 accounts

7.3.5. Proving insolvency

Further investigations into the Co-op's insolvency will be conducted by a liquidator should the Co-op be wound up.

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

Considering the results of the above tests and given that the cash flow test aligns most closely with the definition of insolvency in the Act, our preliminary view is that a liquidator will be able to demonstrate that the Co-op was insolvent from at least June 2019.

7.4. Legal/class actions

We are unaware of any legal proceedings against the Co-op.

7.5. Outstanding or previous winding up applications

We are not aware of any outstanding or previous winding up applications against the Co-op.

7.6. Books and records

Our preliminary view is that the Co-op has not maintained adequate books and records as:

- the Co-op did not reconcile balance sheet accounts resulting in significant adjustments to accounts identified by the internal auditors in November 2017, the accounting software providers in August 2019 and the external auditors for the FY19 audit
- the Co-op has not kept financial records up to the standard ordinarily used in similar enterprises.

A co-operative 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 (CNL, s 265).

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).

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

- failure to keep proper financial records (CNL, s265)
- failure by directors to take all reasonable steps to comply with financial records reporting requirements (CNL, s328)
- 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 (CNL, s192)
- 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 a number of payments to creditors that appear preferential in nature totalling \$2.7M
- Based on our investigations, our preliminary view is that the Co-op is likely to have traded while insolvent from June 2019 giving rise to a claim of approximately \$10.5M
- There may be claims for breach of directors' and officers' duties with respect to the Co-op's dealings with Jacaru and the Consulting Agreement with Yassine Corporation/Consolidated Services Australasia

We have identified a number of potential breaches that require additional investigations by a liquidator including:

- insolvent trading
- failure to maintain proper books and records
- breaches of directors' and officers' duties (in respect of the Consulting Agreement and improper use of Mr Wichtendahl's position)
- whether false or misleading information was provided to the auditor in connection with the FY19 audit

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.

Our preliminary investigations have identified potential voidable transaction recoveries from 22 parties for unfair preference payments to unsecured creditors as detailed below.

	Co-op records or ROCAP amount (\$'M)
Payments made under payment plan or arrangement	6.67
Less: potential running balance defence	(2.20)
Less: potential payments made in respect of secured debts	(1.80)
Potential unfair preference claims	2.67

We note that there are other defences available to creditors that may further reduce this amount. A liquidator will be able to more fully investigate the viability of potential preference claims.

8.2. Insolvent trading

Based on our investigations as detailed in section 7.3, we have expressed the preliminary view that the Co-op is likely to have traded whilst insolvent from June 2019. Insolvent trading is when a co-operative incurs a debt at a time when:

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

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

The objective test or standard of measure in deciding whether insolvent trading has occurred is whether a director can demonstrate that their actions are at the same degree and level that would be required of an ordinary reasonable person holding a similar position and responsibility in the same circumstances.

A director who fails to prevent a co-operative from incurring a debt at a time when there are reasonable grounds for suspecting that the co-operative 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 can not pursue a director for recoveries from contraventions of s588G of the Act.

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

The debts incurred from 1 July 2019 (by invoice date) which remain unpaid total approximately \$10.5M.

Our investigations regarding whether the Co-op directors may have breached their statutory obligations or general law fiduciary duties are continuing.

8.2.1. Director defences

- We are yet to form a view on whether any defences would be available to the Directors.
- Defences available to directors under the Act in regard to allegations of insolvent trading are:
 - the director had reasonable grounds to expect, and did expect, that the Co-op 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 Co-op was solvent and that person was fulfilling the responsibility and it was expected, that on the basis of the information provided, that the Co-op 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 Co-op
 - the director took all reasonable steps to prevent the Co-op from incurring the debt.

8.3. Other transactions

8.3.1. Jacaru

As noted above the Co-op purchased stock from Jacaru Australia Pty Limited under a pre-payment arrangement. We have investigated the circumstances of entering into this arrangement.

An ASIC company extract for Jacaru disclosed it was incorporated on 19 April 2019, and its directors are Mr Wichtendal, Gregory Shaw, Paul Callander and Craig Davidson. Gathor Pty Limited, a company wholly owned by Mr Wichtendal, owns 55% of the shares in Jacaru, with the other 45% being owned by the other directors or their companies.

Minutes of the Co-op board meeting on 13 June 2019 record "Mr Wichtendal declared he became a director of Jacaru Australia which is a minor supplier to the co-operative". We have been informed by the Directors that Mr Wichtendal did not disclose that he had a financial interest in Jacaru. Further Mr Wichtendal did not disclose the arrangement to prepay for purchases.

As Mr Wichtendal used his position to obtain a benefit for himself, we consider the arrangement to be a breach of his officers' duties which may give rise to a recovery action. A liquidator will consider the value of such a claim and whether it is commercially viable to pursue.

8.3.2. Consulting Agreement

On or about 1 October 2016 the Co-op entered into a consultancy service agreement with Yassine Corporation Pty Limited (Consulting Agreement). The Consulting Agreement has a term of 5 years, provided for a consultancy fee of \$55,000 plus GST per month and was executed for the Co-op by Joe Merhi and former director Katelyn Brewster. In September 2017 the Consultancy Agreement was novated to Consolidated Services Australasia Pty Limited. The deed of novation is undated and signed for the Co-op by director Di Yerbury following a circular resolution of the Co-op board.

Talal Yassine (who the directors have advised is a former secretary of the Co-op) is the individual who provides the consulting services on behalf of Consolidated Services Australia and previously Yassine Corporation. The services required to be provided pursuant to the Consulting Agreement are summarised below:

1. lobbying government
2. promote interests of the Co-op
3. assisting development and execution of strategies
4. liaising with external lawyers
5. to act as Co-op's company secretary
6. secretary to board committees
7. other services as agreed in writing.

We consider the amount payable pursuant to the Consulting Agreement (\$726k per annum) is in excess of the reasonable costs of obtaining these services from an arm's length supplier, is uncommercial and execution of the Consulting Agreement may constitute a breach of directors' duty. At the time the Consulting Agreement was entered into, Hilal Yassine, a relative of Talal Yassine (and therefore a 'close associate' for the purposes of the Act) was a director of the Co-op. As such, we consider that the Consulting Agreement may also constitute an unreasonable director-related transaction contrary to section 588FDA of the Act.

A liquidator will consider whether to commence any recovery action.

8.4. Offences

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

8.4.1. 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 including:

- compensation to the Co-op 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
- failure to maintain proper books and records
- breaches of directors and officers duties (including in respect of the Consulting Agreement and improper use of Mr Wichtendahl's position)
- whether false or misleading information was provided to the auditor in connection with the FY19 audit.

8.4.2. Other legislation

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

- Taxation laws
- Competition and Consumer laws
- Co-operative National Law.

Our preliminary investigations have not definitively identified any breaches other than those in 7.4.1 above. A liquidator (if appointed) would conduct further investigations.

8.5. 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 have conducted publicly available searches of the Directors' and Mr Wichtendahl's personal property and identified the following potential assets.

Name	Real properties held	Subject to mortgage	Held jointly	Shareholdings	Other directorships
Joseph Merhi	9	6	2	1	5
Dianne Yerbury	1	1	n/a	2	27
Ekaterina Shkurko	1	1	n/a	n/a	n/a
Bradley Robert Newton	1	n/a	n/a	n/a	n/a
Fatma Saaoud	3	2	n/a	n/a	n/a
Richard Francis Reilly	4	4	n/a	n/a	n/a
Steven Keith Jenkins	3	1	3	n/a	n/a
Thorsten Wichtendahl	3	2	n/a	Unavailable*	3

* at the date of this report the ASIC extract for Mr Wichtendahl's shareholdings contained an error message

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

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

8.6. Auditor claims

The Co-op was audited by Deloitte until FY16, Countplus for FY17 and FY18 and Rothsays for FY19. The auditors did not sign the audit report for FY19 although the audit was substantially complete.

During the FY19 audit, Rothsay identified \$6.1M of overstatements in Co-op's assets which they corrected, and identified significant adjustments that required restatement in the FY18 financial statements. Given the significant overstatements in FY18 we have concerns that the FY18 Annual Report does not present a true and fair view of the Co-op's financial position and performance and may give rise to a claim against Countplus.

A liquidator would review these matters in more detail to consider the merits of bringing a claim for damages against the auditor.

Creditors should note that formal legal proceedings are subject to significant uncertainty, and such a claim could take in excess of three years, or possibly longer, to reach a conclusion.

As noted above, Rothsay had substantially completed the FY19 audit including presenting their draft audit completion report to the Co-op. The completion report notes that the Co-op's FY19 annual report proposed to include CP within "Assets Held Available for Sale" with a recorded value of \$26.2M. This was based on a non-binding letter of offer to purchase CP by PermaFunds Management Pty Limited for \$29.5M.

It appears that this was not a genuine offer to purchase the CP business and may have been procured for the purpose of obtaining an unqualified audit report. A liquidator would review this matter and consider if there is an offence which should be reported to ASIC.

8.7. Public examinations

The Act provides that an 'eligible applicant', such as a liquidator, may examine officers of a Co-op 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 Co-op
- other affairs of the Co-op
- the business affairs of a connected company of the Co-op (in this case Co Info) insofar as it appears to be relevant to the Co-op 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 Co-op, the liquidator will consider the public examination of 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 around a number of areas of interest including, but not limited to:

- the existence of insolvent trading claim
- adequacy of the FY17 and FY18 audits
- breaches of directors' and officers' duties
- directors' ability to meet claims
- the other transactions discussed above in section 8.3.

Public examinations are expensive, involving:

- issuing summonses requiring relevant parties to attend
- interviewing parties associated with voidable transactions
- reviewing the Co-op's books and records, etc.

8.8. Reporting 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 co-operative 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 co-operative.

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.

8.9. 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.

8.10. Funding investigations and recoveries

Should creditors resolve that the Co-op 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 co-operative and its creditors setting out how a co-operative's affairs will be dealt with. It aims to maximise the chances of the co-operative, 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 co-operative.

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

We have not received any Deed proposals for the Co-op 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. Any adjournment of 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 26 cents in the dollar, with a 'low' case scenario, of 0 cents in the dollar.

(\$'000 including GST)	Report section and notes	Liquidation	
		Low \$	High \$
Circulating assets			
Cash at bank at appointment		249	249
Debtors	Note 1	125	125
Forecast trading result	Note 2	6,000	6,400
Total circulating assets		6,374	6,774
Priority creditors			
Circulating realisation costs	Note 3	(186)	(186)
PPSR claims	Section 4.5.3	(230)	(180)
Employee claims	Section 4.5.4	(1,982)	(1,857)
Total priority creditor claims		(2,397)	(2,222)
Net circulating assets		3,976	4,552
Total secured assets			
Sale of Co-op IP to Booktopia	Section 5.6.2	605	605
Sale of CP IP	Section 5.6.1	-	30
Total secured assets		605	635
Non-circulating realisation costs	Note 4	(300)	(283)
Administrators' costs	Remuneration Approval Report	(2,086)	(2,025)
Liquidator costs	Remuneration Approval Report	(530)	(220)
Legal costs	Note 5	(550)	(440)
Total assets available for distribution to APAAP secured creditor		1,116	2,218
APAAP secured creditor claims	Section 4.5.1	13,025	13,025
Return to APAAP secured creditors from circulating assets (cents in the dollar)		8.6	17.0
Liquidator recoveries:			
Voidable transaction claims	Section 8.1	Nil	2,670
Insolvent trading and other claims	Section 8.2	Nil	10,500
Total other assets		Nil	13,170
Illustrative costs associated with recovery actions (inclusive of liquidator, legal and funder costs)	Note 6	Nil	(5,300)
Total other assets less costs		Nil	7,870
Unsecured creditor claims:			
Unsecured creditors	Section 4.6	19,241	19,241
Shortfall from secured creditors		11,867	10,859
Return to unsecured creditors (cents in the dollar)		Nil	26.1
Distribution Timing to unsecured creditors			

Notes

1. Includes the debtors identified in the Directors' ROCAP and a payment made in error to a consultant of the business.
2. Includes sales of stock on hand at appointment and the margin of stock we have purchased as Administrators.
3. Costs associated with realising circulating assets.
4. Costs associated with realising non-circulating assets.
5. Actual and forecast legal costs incurred during the administration and liquidation (excluding costs of pursuing liquidator recoveries).
6. We estimate the costs of recovery of preference claims and actions brought against Directors and Officers to be up to \$7.87M, 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 Co-op'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 Co-op is insolvent and unable to pay its debts as and when they fall due (**Section 7.3**). Accordingly, returning control of the Co-op 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 Co-op at the date of this Report, therefore in our opinion it is not in the Co-op'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 Co-op be wound up.

Our preliminary view is that the Co-op 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:

- assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Co-op (**Section 4.5.4**)
- pursue various potential recoveries under the Act, such as voidable transactions (**Section 8.1**)
- distribute recoveries made in accordance with the priority provisions of the Act
- complete thorough investigations into:
 - the Co-op's dealings and affairs
 - actions of the Directors
- report findings to ASIC pursuant to the Act.

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

11.4. Opinion

As the Co-op 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 Co-op be wound up.

12. Enquiries

Should you have any enquiries please contact Harrison Stanton by email at harrison.stanton@pwc.com.

DATED this 18th 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

**University Co-operative Bookshop Limited
(Administrators Appointed) (the Co-operative)
ARBN 009 937 1606**

Notice is given that a meeting of the creditors of the Co-operative will be held at the Portside Conference Centre, 207 Kent St, Sydney NSW 2000 on 27 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 Co-operative execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that the Co-operative be wound up.
4. To fix the remuneration of the Administrators.
5. If the Co-operative 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 for the meeting.*

Please contact Harrison Stanton by 4:00PM AEDST, Wednesday 25 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, 26 March 2020.

DATED this 18th 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 25 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 Co-operative.

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

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FORM 532
APPOINTMENT OF PROXY

University Co-operative Bookshop Limited
(Administrators Appointed) (the Co-operative)
ARBN 009 937 160

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 Co-operative appoint
as my/our proxy, or in his/her absence....., to vote at the meeting of
creditors to be held at 2.00pm AEDST on 27 March 2020 at the Portside Conference Centre, 207 Kent St,
Sydney NSW 2000 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 of \$1,587,489.50 plus GST for the period 24 November 2019 to 29 February 2020, as set out in the Remuneration Approval Report dated 18 March 2020, is approved and may be drawn immediately from available funds, or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	That the future remuneration of the Administrators up to a maximum of \$307,234.00 plus GST for the period 1 March 2020 to the conclusion of the Administration, as set out in the Remuneration Approval Report dated 18 March 2020, is approved and may be drawn as incurred from available funds, or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	That the internal disbursements claimed by PricewaterhouseCoopers of \$882.05 plus GST for the period 24 November 2019 to 29 February 2020, calculated at the rates set out in the Remuneration Approval Report dated 18 March 2020, are approved and may be drawn immediately from available funds, or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	That the future internal disbursements claimed by PricewaterhouseCoopers of up to a maximum \$500.00 plus GST for the period 1 March 2020 to the conclusion of the Administration, calculated at the rates set out in the Remuneration Approval Report dated 18 March 2020, are approved and may be drawn as incurred from available funds, or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	That the Co-operative be wound up	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6	That the Co-operative execute a Deed of Company Arrangement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	That the Administration should end (and control revert back to the Co-operative's directors)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	That the future remuneration of the Liquidators of up to a maximum of \$482,100.00 plus GST for the period 27 March 2020 to the conclusion of the liquidation, as set out in the Remuneration Approval Report dated 18 March 2020, is approved and may be drawn as incurred from available funds, or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	That the internal disbursements claimed by PricewaterhouseCoopers of up to a maximum of \$1,000.00 plus GST for the period 27 March 2020 to the conclusion of the Liquidation, calculated at the rates set out in the Remuneration Approval Report dated 18 March 2020, are approved and may be drawn as incurred from available funds, or as funds become available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	If the Co-operative is wound up, that a Committee of Inspection be formed comprising representatives 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 Co-operative

.....

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 University Co-Operative Bookshop Limited (Administrators Appointed) **(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:

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/...../..... NameSignatory.....

Phone Email address.....

Appendix D – Remuneration approval request

**University Co-Operative Bookshop
Ltd (the Co-operative), also
trading as Curious Planet
(Administrators Appointed)**

ARBN 009 937 160

Remuneration Approval Report

18 March 2020

Contents

1	Introduction	3
2	Declaration	3
3	Executive Summary	3
4	Remuneration	4
5	Disbursements	6
6	Summary of receipts and payments	7
7	Queries	8

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 the meeting of creditors 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 A** of the report to creditors dated 18 March 2020.

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 Administrators of University Co-Operative Bookshop 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, nor paid, in the Administration.

This report details approval sought for our current and future remuneration and disbursements, set out in the table overleaf. Please refer to report section references detailed in the table for full details of the calculation and composition of the remuneration and disbursements approvals sought.

Our claim for remuneration for the Administration period (ie excluding the liquidation period) is consistent with the estimate of costs provided in the Initial Remuneration Notice to Creditors dated 26 November 2019, which estimated costs to be within the range of \$1,500,000 to \$2,000,000 (excluding GST).

Our total future remuneration claim for the liquidation period of up to \$482,100.00 (excluding GST) is our best estimate for undertaking the following key task areas:

- Finalising all trading matters and the closure of campus bookstores, including dealing with the implications of the Coronavirus as it relates to changing closure plans, etc
- Finalising all employee claims, and, if sufficient funds are available, payment of such claims (alternatively, liaising with FEG to assist with payment of employee claims)
- Finalising all secured creditor claims, including PPSR claims and dealings with National Australia Bank
- Various tasks related to investigations and recovery actions, including potentially undertaking public examinations of Co-op's directors and officers.

Further details of the expected tasks in the liquidation period are included in **Schedule B3** of **Appendix B**.

Period	Report reference	Amount (ex GST)
Current and future remuneration approval sought:		
Administration		
Resolution 1: 24 November 2019 to 29 February 2020	Schedule A1 of Appendix A	\$1,587,489.50
Resolution 2: 1 March 2010 to the conclusion of the Administration *	Schedule A2 of Appendix A	\$307,234.00
Total for Administration		\$1,894,723.50
Liquidation		
Resolution 3: 27 March to the conclusion of the Liquidation *	Schedule A3 of Appendix A	\$482,100.00
Total remuneration		\$2,376,823.50
Current and future internal disbursements approval sought:		
Administration		
Resolution 4: 24 November 2019 to 29 February 2020	5	\$882.05
Resolution 5: 1 March 2010 to the conclusion of the Administration *	5	Up to \$500.00
Liquidation		
Resolution 6: 27 March to the conclusion of the Liquidation *	5	Up to \$1,000.00
Total internal disbursements		\$2,382.05

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

4 Remuneration

4.1 Remuneration

We will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are included in the **Appendices** to this report.

Resolution 1

That the remuneration of the Administrators of \$1,587,489.50 plus GST for the period 24 November 2019 to 29 February 2020, as set out in the Remuneration Approval Report dated 18 March 2020, is approved and may be drawn immediately from available funds, or as funds become available.

Resolution 2

That the future remuneration of the Administrators up to a maximum of \$307,234.00 plus GST for the period 1 March 2020 to the conclusion of the Administration, as set out in the Remuneration Approval Report dated 18 March 2020, is approved and may be drawn as incurred from available funds, or as funds become available.

Resolution 3

That the future remuneration of the Liquidators of up to a maximum of \$482,100.00 plus GST for the period 27 March 2020 to the conclusion of the liquidation, as set out in the Remuneration Approval Report dated 18 March 2020, is approved and may be drawn as incurred from available funds, or as funds become available.

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 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 are summarised in **Appendix A**.

The details of the major tasks performed, and the costs associated with each of those major tasks, are contained in **Appendix B**.

4.3 Total remuneration reconciliation for Administration period

Our claim for remuneration for the Administration period of \$1,894,723.50 is consistent with the estimate provided in the Initial Remuneration Notice dated 26 November 2019, which estimated remuneration of \$1,500,000 to \$2,000,000 (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 having an in-depth understanding of the day-to-day business operations of the Co-op.
- The complexities of some of the investigations we were required to undertake in the Administration period were beyond what we would normally expect.
- The inadequacy of the Co-op's books and records impacted various aspects of the Administration, including:
 - managing and forecasting cash flow
 - assessment of pre-appointment employee entitlements
 - financial analysis required for our investigations and report to creditors.

In preparing this remuneration approval report, we have made our best estimate at what we believe the Administration will cost to complete. At this stage, we do not anticipate that we will have to ask creditors to approve any further remuneration, however, should the Administration not proceed as expected (particularly given the uncertainty of the impact of the Coronavirus on the campus store closure and stock liquidation plans), or if the Second Meeting is delayed, we may seek approval of further remuneration. If such circumstances arise, we will advise creditors and provide details on why the remuneration sought has changed.

4.4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the Co-op and it provides for remuneration of the Administrators/Liquidators to be paid in priority to other claims. This ensures that when there are sufficient funds, the Administrators/Liquidators receive 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:

- priority employee creditors
- secured creditors.

4.5 Remuneration recovered from external sources

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 and other professional fees.
- **Externally provided non-professional costs** – these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation, public database search fees, ASIC public notices/lodgement fees, storage costs, outsourced printing and photocopying services.
- **Internal disbursements** – these disbursements, if charged to the administration, would generally be charged at cost; although some expenses such as telephone calls, photocopying and printing, car mileage, ASIC Industry Funding Model (IFM) graduated levies relating to ‘notifiable events’, and other variable costs 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 externally provided disbursements claimed for the Administration period, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed, summarised in the table below, are necessary and proper.

Externally provided non-professional costs	Amount (ex GST)
Internet/IT software charges – Amazon, Doo Finder, Google, Mailchimp	\$39,557.91
Printing and posting creditor/employee notices	\$5,778.91
Room hire – creditors’ meeting	\$1,690.00
Local travel – taxi, Uber, parking	\$1,595.41
Airfares – domestic travel	\$1,259.44
IT hardware – hard drives purchased	\$1,178.24
Staff meals	\$245.46
Lock change – Phillip Street	\$180.00
Courier charges	\$146.64
Accommodation – domestic travel	\$126.36
Search fees	\$53.48
Total external disbursements	\$51,811.85

5.1 Internal disbursements

We will be seeking approval of the following resolutions to approve our internal disbursements. Details to support these resolutions are included in section 5.2 below.

Resolution 4

That the internal disbursements claimed by PricewaterhouseCoopers of \$882.05 plus GST for the period 24 November 2019 to 29 February 2020, calculated at the rates set out in the Remuneration Approval Report dated 18 March 2020, are approved and may be drawn immediately from available funds, or as funds become available.

Resolution 5

That the future internal disbursements claimed by PricewaterhouseCoopers of up to a maximum \$500.00 plus GST for the period 1 March 2020 to the conclusion of the Administration, calculated at the rates set out in the Remuneration Approval Report dated 18 March 2020, are approved and may be drawn as incurred from available funds, or as funds become available.

Resolution 6

That the internal disbursements claimed by PricewaterhouseCoopers of up to a maximum of \$1,000.00 plus GST for the period 27 March 2020 to the conclusion of the Liquidation, calculated at the rates set out in the Remuneration Approval Report dated 18 March 2020, are approved and may be drawn as incurred from available funds, or as funds become available.

5.2 Basis of internal disbursement claims

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

Basis of disbursement claims		Rate (excl GST)
External disbursements		
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	
ASIC IFM – graduated levies for notifiable events	At the rates prescribed by ASIC from time to time	

The internal disbursements claimed for the period 24 November 2019 to 29 February 2020 are summarised in the table below.

Disbursement claims	Amount (ex GST)
Internal disbursements	
Staff vehicle use – travel to/from various Co-op sites	\$465.17
Records management – archive boxes for Co-op books and records	\$261.90
Photocopying	\$154.98
Total internal disbursements	\$882.05

6 Summary of receipts and payments

A summary of receipts and payments for the period from 24 November 2019 to 6 March 2020 is included in the table below.

Receipts	
Account	Amount (\$)
Trading receipts	
Cash at bank at appointment	248,862
Trading sales	19,733,300
Total trading receipts	19,982,163
Non-trading receipts	
Pre-appointment debtors	64,551
Sale of Intellectual Property	605,000
Total non-trading receipts	669,551
Total receipts	20,651,714
Payments	
Account	Amount (\$)
Trading payments	
Customer refunds	(301,893)
Insurance	(89,961)
IT subscriptions and costs	(317,877)
Merchant and bank fees	(47,691)
Packaging and postage (online store)	(322,872)
Purchases	(2,282,799)
Rent and outgoings	(2,031,249)
Salaries and wages	(3,279,493)
Utilities	(45,351)
Total trading payments	(8,719,186)
Non-trading payments	
Asset realisation costs	(183,740)
Legal fees	(294,171)
Statutory advertising costs	(1,945)
Total non-trading payments	(479,856)
Total trading payments	(9,199,041)
Cash at bank as at 6 March 2020	11,452,673

7 Queries

Please contact Harrison Stanton on +61 2 8266 3312 or by email to 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 18th day of March 2020



Phil Carter
Administrator

Appendices

Appendix A Remuneration calculation schedules

Schedule A1

Remuneration calculation for the period 24 November 2019 to 29 February 2020

Employee	Position	Rate	Total	Total	Administration		Assets		Creditors		Employees		Investigation		Trade On	
		(ex GST)	Hrs	\$	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs
Andy Scott	Partner	720	144.3	103,896.00	10,728.00	14.9	45,072.00	62.6	8,064.00	11.2	2,448.00	3.4	288.00	0.4	37,296.00	51.8
Daniel Walley	Partner	720	211.3	152,136.00	720.00	1.0	25,416.00	35.3	5,832.00	8.1	5,328.00	7.4	0.00	0.0	114,840.00	159.5
Phil Carter	Partner	720	183.5	132,120.00	32,760.00	45.5	55,800.00	77.5	27,720.00	38.5	360.00	0.5	8,640.00	12.0	6,840.00	9.5
Martin Sisk	Director	625	8.4	5,250.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	5,250.00	8.4	0.00	0.0
Melissa Humann	Director	625	121.1	75,687.50	24,437.50	39.1	2,375.00	3.8	38,000.00	60.8	5,312.50	8.5	1,187.50	1.9	4,375.00	7.0
Scott Pascoe	Director	625	25.0	15,625.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	15,625.00	25.0	0.00	0.0
Wil Honner	Director	625	215.9	134,937.50	4,437.50	7.1	64,125.00	102.6	13,500.00	21.6	0.00	0.0	62.50	0.1	52,812.50	84.5
Bevan Forbes	Senior Manager	560	25.9	14,504.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	14,504.00	25.9	0.00	0.0
Shane Ugo	Senior Manager	560	325.8	182,448.00	6,216.00	11.1	25,368.00	45.3	11,480.00	20.5	13,776.00	24.6	3,416.00	6.1	122,192.00	218.2
Andy Collins	Manager	510	7.9	4,029.00	255.00	0.5	0.00	0.0	3,774.00	7.4	0.00	0.0	0.00	0.0	0.00	0.0
David Better	Manager	510	2.8	1,428.00	306.00	0.6	1,122.00	2.2	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
David Dixon	Manager	510	10.3	5,253.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	5,253.00	10.3	0.00	0.0
Kei Cheung	Manager	510	142.6	72,726.00	12,954.00	25.4	3,978.00	7.8	5,100.00	10.0	1,020.00	2.0	0.00	0.0	49,674.00	97.4
Matt O'Connor	Manager	510	0.5	255.00	0.00	0.0	255.00	0.5	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Nick Charlwood	Manager	510	238.6	121,686.00	7,752.00	15.2	23,919.00	46.9	15,810.00	31.0	6,120.00	12.0	0.00	0.0	68,085.00	133.5
Sylvia Young	Manager	510	5.2	2,652.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	2,652.00	5.2
Tim Evans	Manager	510	277.7	141,627.00	1,071.00	2.1	18,717.00	36.7	7,599.00	14.9	5,814.00	11.4	17,085.00	33.5	91,341.00	179.1
Brendan Flaherty	Senior Consultant	425	60.0	25,500.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	25,500.00	60.0
Christina Bonomo	Senior Consultant	425	13.8	5,865.00	0.00	0.0	0.00	0.0	5,865.00	13.8	0.00	0.0	0.00	0.0	0.00	0.0
Edward Unkles	Senior Consultant	425	0.6	255.00	0.00	0.0	255.00	0.6	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Harrison Stanton	Senior Consultant	425	132.0	56,100.00	3,102.50	7.3	3,570.00	8.4	24,352.50	57.3	4,292.50	10.1	16,957.50	39.9	3,825.00	9.0

Remuneration calculation schedules

Jo Muir	Senior Consultant	425	0.7	297.50	0.00	0.0	297.50	0.7	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Joanne Chu	Senior Consultant	425	5.0	2,125.00	0.00	0.0	0.00	0.0	2,125.00	5.0	0.00	0.0	0.00	0.0	0.00	0.0
Julian Cottle	Senior Consultant	425	326.2	138,635.00	10,837.50	25.5	1,317.50	3.1	16,490.00	38.8	45,772.50	107.7	1,657.50	3.9	62,560.00	147.2
Kurtis Aberhart	Senior Consultant	425	25.0	10,625.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	10,625.00	25.0	0.00	0.0
Shyam Alakke	Senior Consultant	425	10.0	4,250.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	4,250.00	10.0	0.00	0.0
Albert Phung	Consultant	350	83.1	29,085.00	735.00	2.1	70.00	0.2	18,550.00	53.0	3,325.00	9.5	0.00	0.0	6,405.00	18.3
Alison McLaughlin	Consultant	350	5.2	1,820.00	1,610.00	4.6	210.00	0.6	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Fleur Combridge	Consultant	350	9.7	3,395.00	560.00	1.6	0.00	0.0	2,835.00	8.1	0.00	0.0	0.00	0.0	0.00	0.0
Harrison Stanton	Consultant	350	84.4	29,540.00	5,110.00	14.6	945.00	2.7	17,780.00	50.8	455.00	1.3	1,435.00	4.1	3,815.00	10.9
Jonathan McConnell	Consultant	350	153.5	53,725.00	12,635.00	36.1	0.00	0.0	33,215.00	94.9	0.00	0.0	175.00	0.5	7,700.00	22.0
Melanie Lu	Consultant	350	46.5	16,275.00	2,275.00	6.5	0.00	0.0	980.00	2.8	1,925.00	5.5	0.00	0.0	11,095.00	31.7
Scott Monagle	Consultant	350	24.3	8,505.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	8,505.00	24.3	0.00	0.0
Tomas Marijanovic	Consultant	350	10.6	3,710.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	3,710.00	10.6	0.00	0.0
	Offshore Professional	250	57.4	14,350.00	0.00	0.0	0.00	0.0	375.00	1.5	0.00	0.0	12,825.00	51.3	1,150.00	4.6
	Specialist	180	61.1	10,998.00	2,160.00	12.0	0.00	0.0	126.00	0.7	0.00	0.0	0.00	0.0	8,712.00	48.4
	Administration Support	180	34.3	6,174.00	432.00	2.4	936.00	5.2	1,224.00	6.8	612.00	3.4	774.00	4.3	2,196.00	12.2
Total			3,090.2	1,587,489.50	141,094.00	275.2	273,748.00	442.7	260,796.50	557.5	96,560.50	207.3	132,225.00	297.5	683,065.50	1,310.0
GST				158,748.95												
Total (including GST)				1,746,238.45												
Average rate (excluding GST)				513.72												

Remuneration calculation schedules

Schedule A2

Remuneration calculation for the period 1 March 2020 to the conclusion of the Administration

Employee	Position	Rate	Total	Total	Administration		Assets		Creditors		Employees		Investigation		Trade On	
		(ex GST)	Hrs	\$	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs
Andy Scott	Partner	720	3.0	2,160.00	0.00	0.0	0.00	0.0	720.00	1.0	0.00	0.0	1,440.00	2.0	0.00	0.0
Daniel Walley	Partner	720	8.9	6,408.00	1,440.00	2.0	0.00	0.0	720.00	1.0	0.00	0.0	0.00	0.0	4,248.00	5.9
Phil Carter	Partner	720	46.0	33,120.00	4,680.00	6.5	1,800.00	2.5	15,480.00	21.5	2,160.00	3.0	3,240.00	4.5	5,760.00	8.0
Melissa Humann	Director	625	34.8	21,750.00	1,687.50	2.7	0.00	0.0	19,875.00	31.8	62.50	0.1	125.00	0.2	0.00	0.0
Scott Pascoe	Director	625	39.8	24,875.00	187.50	0.3	187.50	0.3	1,250.00	2.0	0.00	0.0	23,250.00	37.2	0.00	0.0
Wil Honner	Director	625	48.2	30,125.00	0.00	0.0	2,812.50	4.5	1,562.50	2.5	937.50	1.5	0.00	0.0	24,812.50	39.7
Shane Ugo	Senior Manager	560	70.5	39,480.00	3,584.00	6.4	2,128.00	3.8	1,232.00	2.2	5,712.00	10.2	0.00	0.0	26,824.00	47.9
Nick Charlwood	Manager	510	22.8	11,628.00	918.00	1.8	3,621.00	7.1	2,550.00	5.0	0.00	0.0	0.00	0.0	4,539.00	8.9
Sylvia Young	Manager	510	2.1	1,071.00	459.00	0.9	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	612.00	1.2
Tim Evans	Manager	510	115.3	58,803.00	2,040.00	4.0	1,122.00	2.2	11,220.00	22.0	4,386.00	8.6	11,373.00	22.3	28,662.00	56.2
Shyam Alakke	Senior Consultant	425	1.0	425.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	425.00	1.0	0.00	0.0
Harrison Stanton	Senior Consultant	425	26.3	11,177.50	1,317.50	3.1	0.00	0.0	6,332.50	14.9	467.50	1.1	3,060.00	7.2	0.00	0.0
Julian Cottle	Senior Consultant	425	106.0	45,050.00	4,462.50	10.5	1,147.50	2.7	1,700.00	4.0	24,352.50	57.3	0.00	0.0	13,387.50	31.5
Jo Muir	Senior Consultant	425	0.3	127.50	0.00	0.0	127.50	0.3	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Alison McLaughlin	Consultant	350	0.7	245.00	245.00	0.7	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
	Offshore Professional	250	7.7	1,925.00	0.00	0.0	0.00	0.0	1,800.00	7.2	0.00	0.0	0.00	0.0	125.00	0.5
	Specialist	180	65.9	11,862.00	3,690.00	20.5	0.00	0.0	72.00	0.4	0.00	0.0	0.00	0.0	8,100.00	45.0
	Administration Support	180	38.9	7,002.00	90.00	0.5	702.00	3.9	1,674.00	9.3	774.00	4.3	450.00	2.5	3,312.00	18.4
Total			638.2	307,234.00	24,801.00	59.9	13,648.00	27.3	66,188.00	124.8	38,852.00	86.1	43,363.00	76.9	120,382.00	263.2
GST				30,723.40												
Total (including GST)				337,957.40												
Average rate (excluding GST)				481.41												

Remuneration calculation schedules

Schedule A3

Remuneration calculation for the period 27 March 2020 to the conclusion of the Liquidation

Employee	Position	Rate	Total	Total	Administration		Assets		Creditors		Employees		Investigation		Trade On	
		(ex GST)	Hrs	\$	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs
Andy Scott	Partner	720	14.0	10,080.00	2,160.00	3.0	0.00	0.0	720.00	1.0	0.00	0.0	7,200.00	10.0	0.00	0.0
Daniel Walley	Partner	720	16.0	11,520.00	2,160.00	3.0	0.00	0.0	0.00	0.0	2,160.00	3.0	0.00	0.0	7,200.00	10.0
Phil Carter	Partner	720	86.5	62,280.00	3,240.00	4.5	1,440.00	2.0	7,200.00	10.0	7,200.00	10.0	28,800.00	40.0	14,400.00	20.0
Scott Pascoe	Director	625	91.0	56,875.00	1,250.00	2.0	625.00	1.0	5,000.00	8.0	0.00	0.0	50,000.00	80.0	0.00	0.0
Wil Honner	Director	625	16.0	10,000.00	1,250.00	2.0	2,500.00	4.0	3,125.00	5.0	0.00	0.0	0.00	0.0	3,125.00	5.0
Shane Ugo	Senior Manager	560	137.0	76,720.00	2,240.00	4.0	4,480.00	8.0	0.00	0.0	14,000.00	25.0	11,200.00	20.0	44,800.00	80.0
Nick Charlwood	Manager	510	46.0	23,460.00	1,020.00	2.0	2,040.00	4.0	0.00	0.0	0.00	0.0	0.00	0.0	20,400.00	40.0
Sylvia Young	Manager	510	8.0	4,080.00	0.00	0.0	0.00	0.0	0.00	0.0	1,530.00	3.0	0.00	0.0	2,550.00	5.0
Tim Evans	Manager	510	145.5	74,205.00	2,295.00	4.5	0.00	0.0	8,160.00	16.0	2,550.00	5.0	51,000.00	100.0	10,200.00	20.0
Shyam Alakke	Senior Consultant	425	20.0	8,500.00	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	8,500.00	20.0	0.00	0.0
Harrison Stanton	Senior Consultant	425	149.5	63,537.50	1,912.50	4.5	2,550.00	6.0	8,500.00	20.0	3,825.00	9.0	42,500.00	100.0	4,250.00	10.0
Julian Cottle	Senior Consultant	425	104.5	44,412.50	1,912.50	4.5	0.00	0.0	4,250.00	10.0	17,000.00	40.0	4,250.00	10.0	17,000.00	40.0
	Offshore Professional	250	55.0	13,750.00	0.00	0.0	0.00	0.0	2,500.00	10.0	1,250.00	5.0	10,000.00	40.0	0.00	0.0
	Specialist	180	54.0	9,720.00	720.00	4.0	0.00	0.0	0.00	0.0	1,800.00	10.0	0.00	0.0	7,200.00	40.0
	Admin Support	180	72.0	12,960.00	360.00	2.0	0.00	0.0	1,800.00	10.0	3,600.00	20.0	1,800.00	10.0	5,400.00	30.0
Total			1,015.0	482,100.00	20,520.00	40.0	13,635.00	25.0	41,255.00	90.0	54,915.00	130.0	215,250.00	430.0	136,525.00	300.0
GST				48,210.00												
Total (including GST)				530,310.00												
Average rate (excluding GST)				474.98												

Appendix B Table of major tasks for remuneration

Schedule B1

Resolution 1

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 442.7 hrs \$273,748.00	Sale of business	Attending to enquiries from interested parties Engagement with Alpin to manage sale process, including review of strategy, advertising material, information memorandum/dataroom Collating information for Alpin for use in sale materials Executing non-disclosure agreements with interested parties Internal meetings to discuss expressions of interest received Extensive discussions with preferred parties, Alpin and legal advisers Liaising with Herbert Smith Freehills to prepare Heads of Agreement and sale contract Concluding negotiations with preferred bidder, including reviewing and discussing amendments to sale contract Executing sale contract
	Plant and equipment	Reviewing asset listings Creating invoice for sale of office equipment Collecting EFTPOS terminals and other IT equipment from closed stores Dealing with sale/disposal of residual store fit-out/small assets
	Debtors	Reviewing and assessing collectability of debtors' ledger Correspondence with debtors
	Stock	Reviewing stock position on appointment Liaising with staff regarding stock on hand and new purchase requirements Ongoing monitoring of stock levels, including review of discount strategy and movement of stock between stores Identifying stock on hand which may be subject to PPS claims Reviewing pre-paid stock purchase from Jacaru Negotiating return and refund agreement with Jacaru Monitoring Jacaru stock sales
	Other assets	Preparing and issuing bank/financier freeze/sweep letter Conducting enquiries with motor vehicle registries in all states Conducting searches to identify intangible assets Liaising with interested parties for sale of intangible assets
	Leasing	Initial notification, discussion and negotiation with landlords Reviewing leasing documents and creating schedule of lease commitments Correspondence with landlords on trading matters, including store closure plans

Task Area	General description	Includes
Creditors 557.5 \$260,796.50		Managing payment of rent and outgoings
	Creditor enquiries	Attending to general creditor enquiries via telephone Responding to customer enquiries on refunds, gift cards and store returns Liaising with suppliers regarding appointment and future orders Maintaining creditor enquiry files Briefing staff on dealing with customer/creditor enquiries Correspondence with committee of inspection members
	PMSI creditors	Searching the PPS register Reviewing PPS registrations and summarising status of registrations by supplier Liaising with Herbert Smith Freehills on review and assessment of registrations and claims Issuing correspondence to PMSI creditors identified from PPS register Reviewing and responding to general enquiries from claimants Maintaining schedule of PMSI creditors Reviewing stock lists for potentially affected items Internal discussions on assessment of claims Adjudicating on claims Correspondence to claimants notifying outcome of adjudication
	GSA secured creditor	Notifying secured creditor of appointment Preparing brief summary status reports to secured creditor Regular verbal updates to secured creditor Responding to secured creditor's queries Liaising with Herbert Smith Freehills on security position Concluding s440B consent matter
	Other PPSA creditors	Searching the PPS register Filing and noting discharges Reviewing creditor ledger
	Creditor reports	Drafting, reviewing and signing DIRRI Drafting, reviewing and issuing initial notice to creditors Issuing correspondence to creditors regarding extension of convening period Uploading notices to website Initial preparation for report to creditors and remuneration approval report
	Dealing with proofs of debt	Receipting and filing POD (not related to a dividend) Reviewing PODs received and updating practice management system with creditor details
	Creditor meetings	Organising meeting venue and teleconference facilities for first meeting of creditors Preparing meeting notice, proxy, POD, advertisements and certificate of postage Liaising with external mail house to issue notice of meeting to all known creditors Responding to creditor enquiries Preparing meeting file, including agenda, attendance register, list of creditors, report to creditors, advertisement of meeting and draft minutes of meeting

Table of major tasks for remuneration

Task Area	General description	Includes
Employees 207.3 hrs \$96,560.50		Team briefing to manage registration of attendees and conduct of meeting
		Conducting first meeting of creditors
		Responding to stakeholder queries and questions immediately following the meeting
		Preparing minutes of first meeting of creditors
		Liaising with Herbert Smith Freehills regarding application to extend convening period for second meeting of creditors
		Collating information required for affidavit
		Reviewing and finalising affidavit
		Attending court hearing
		Reviewing court orders made
		Convening committee of inspection meetings
		Preparing meeting notices, agenda, draft minutes
		Conducting committee of inspection meetings
	Shareholder enquiries	Responding to membership refund queries
	Employee correspondence	Attending to employee enquiries via telephone
		Maintaining employee enquiry files
		Reviewing and preparing correspondence to employees via email and post
		Preparing and issuing FAQ documents to employees
		Various correspondence with employees on status of employment and store closure plans
	Calculation of entitlements	Reviewing employee contracts
		Reviewing Co-op employee records
		Liaising with forensics team on electronic data extraction
		Discussing status of employee records with staff
		Calculating employee entitlements, including termination scenarios
		Reconciling superannuation accounts
		Liaising with Herbert Smith Freehills regarding entitlements queries
	Workers compensation insurance	Preparing letters to employees advising of entitlements
		Receiving and responding to employee queries on leave and other entitlements
	Other employee issues	Liaising with Willis on insurance policies and ongoing workers compensation insurance requirements
		Obtaining information from finance team on payroll
		Liaising with staff on payroll issues
		Liaising with staff on general payroll and employee enquiries
		Managing employment of new casual employees
	Trade on management	Liaising with Herbert Smith Freehills on specific contractual issues
		Researching and implementing EAP
		Attendance on site
		Discussions with head office staff
		Ongoing liaison with staff regarding day-to-day trading issues
	Trade on management	Liaising with trade suppliers
		Liaising with Australia Post
		Liaising with merchant facility providers
		Managing ongoing utility and internet supplies
		Authorising purchase orders
	Trade on management	Maintaining purchase order register
Trade on 1,310.0 hrs \$683,065.50		

Table of major tasks for remuneration

Task Area	General description	Includes
		Monitoring trading performance Discussions with suppliers and landlords on proposed consignment arrangements Developing and implementing Curious Planet wind-down plan Engagement with Hilco to assist with wind-down strategy and execution Liaising with staff on decisions to deal with gift cards, refunds and product return policies Developing and implementing trading plan for campus bookstores Liaising with purchaser of business regarding transition plan for campus bookstores
	Cash management	Preparing and authorising receipt vouchers Reviewing supplier invoices Preparing and authorising payment vouchers Liaising with Co-op offshore finance team Entering receipts and payments into accounting system Processing payments via on-line banking Processing payroll via on-line banking
	Budgeting and financial reporting	Reviewing Co-op cash flow forecast Preparing and monitoring Administration cash flow forecast Meetings with staff to discuss trading position Reviewing sales reports and providing internal updates Preparing estimated outcome statement Internal discussions and monitoring of cash flow
Investigation 297.5 hrs \$132,225.00	Conducting investigations	Engagement with forensics team to digitally image personal devices, laptops and Co-op servers Attendance on site to conduct imaging Managing electronic data collected Setting up platform to access data collected Reviewing data collected in connection with specific areas of investigation Attending Philip Street office to review and secure physical records Reviewing records, cataloguing and retrieving certain records to PwC office Attending UWS site to review and secure physical records Reviewing records, cataloguing and retrieving certain records to off-site storage Undertaking searches at ASIC and NSW Fair Trading Undertaking real property searches Summarising findings from statutory searches Liaising with finance team to obtain various financial records and reports Reviewing and analysing financial data Preparing comparative financial analysis Reviewing Co-op statutory records, including board minutes and papers Reviewing and preparing commentary on Co-op history, including timeline of key events Reviewing specific transactions Reviewing specific contractual arrangements Liaising with directors regarding certain transactions Correspondence with former accountants, auditors, solicitors Reviewing audit and internal audit reports

Table of major tasks for remuneration

Task Area	General description	Includes
Administration 275.2 hrs \$141,094.00	General correspondence	Initial notification of appointment to various stakeholders Attending to enquiries from the media Drafting media release Liaising with Six Degrees media advisers Correspondence with Herbert Smith Freehills regarding application of Insolvency Practice Schedule/Insolvency Practice Rules to Co-operatives Correspondence with NSW Fair Trading including notice of appointment and copies of minutes of creditor/committee of inspection meetings, directors' ROCAPs
	File maintenance	Filing physical and electronic documents Updating checklists
	Insurance	Notifying Willis of appointment Correspondence with finance team on pre-appointment policies and information required to renew expiring policies Correspondence with Willis on status of D&O policy Correspondence with Herbert Smith Freehills on D&O policy Liaising with Willis to confirm adequacy of cover for renewing business insurance policies Reviewing business insurance policies proposed by Willis and confirming instructions to place insurance Payment of insurance premiums Liaising with Willis to obtain certificates of currency
	Bank account administration	Correspondence with bank to freeze pre-appointment accounts and open Administration accounts Obtaining bank statements and performing bank account reconciliations Correspondence with bank regarding specific transactions
	ASIC forms and lodgements	Preparing and lodging ASIC forms including notice of appointment, notices relating to creditor/committee of inspection meetings, minutes of meetings, directors' ROCAPs
	ATO and other statutory reporting	Notification of appointment Requesting extension to lodge BAS Correspondence via ATO business portal
	Director correspondence & ROCAP	Notice of appointment to directors including obligations during Administration to attend on Administrators and provide ROCAP Correspondence regarding ROCAP extension Liaising with legal representative of directors Telephone discussions and meetings with directors and legal representatives
	Project management	Internal ad-hoc discussions regarding status of administration Weekly meetings to update and brief team
	Books and records	Sending records to storage

Schedule B2**Resolution 2**

The below table provides a description of the work undertaken, or expected to be undertaken, in each major task area for the period 1 March 2020 to the conclusion of the Administration

Task Area	General description	Includes
Assets 27.3 hrs \$13,648.00	Sale of business	Attending to sale completion matters Correspondence relating to employee offers by purchaser
	Plant and equipment	Collecting EFTPOS terminals and other IT equipment from closed stores Dealing with sale/disposal of residual store fit-out/small assets Liaising with Hilco on same
	Debtors	Correspondence with debtors
	Stock	Monitoring Jacaru stock sales Finalising sale or disposal of residual stock on hand Liaising with Hilco on same
	Other assets	Managing intangible assets Liaising with interested parties for sale of intangible assets
	Leasing	Tasks associated with store exits and final payment of rent and outgoings
Creditors 124.8 \$66,188.00	Creditor enquiries	Attending to general creditor enquiries via telephone Responding to customer enquiries on refunds, gift cards and store returns Correspondence with committee of inspection members
	PMSI creditors	Reviewing and responding to general enquiries from claimants Maintaining schedule of PMSI creditors Reviewing stock lists for potentially affected items Internal discussions on assessment of claims Adjudicating on claims Correspondence to claimants notifying outcome of adjudication
	GSA secured creditor	Verbal and email updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing report to creditors, incorporating input from trading and investigation workstreams Preparing this remuneration approval report, including analysis of WIP reports
	Dealing with proofs of debt	Receipting and filing POD (not related to a dividend) Reviewing PODs received and updating practice management system with creditor details
	Creditor meetings	Organising meeting venue and teleconference facilities for second meeting of creditors Preparing meeting notice, proxy, POD, advertisements and certificate of postage Liaising with external mail house to issue notice of meeting to all known creditors Responding to creditor enquiries Preparing meeting file, including agenda, attendance register, list of creditors, report to creditors, advertisement of meeting and draft minutes of meeting

Table of major tasks for remuneration

Task Area	General description	Includes
Employees 86.1 hrs \$38,852.00		Team briefing to manage registration of attendees and conduct of meeting Conducting second meeting of creditors Responding to stakeholder queries and questions immediately following the meeting Preparing minutes of second meeting of creditors Convening committee of inspection meeting Preparing meeting notice, agenda, draft minutes Conducting committee of inspection meeting
	Shareholder enquiries	Responding to membership refund queries
	Employees enquiries	Maintaining employee enquiry files Reviewing and preparing correspondence to employees advising of their entitlements Receiving and responding to employee queries on leave and other entitlements
	Calculation of entitlements	Updating and reviewing employee entitlements calculations Reviewing Co-op employee records
	Other employee issues	Liaising with Herbert Smith Freehills on specific contractual issues Preparing and distributing separation certificates Responding to superannuation enquiries
Trade on 263.2 hrs \$120,382.00	Trade on management	Ongoing liaison with staff regarding day-to-day trading issues Liaising with Hilco on wind-down management Ongoing dealings related to gift cards, refunds and product returns Monitoring trading for campus bookstores Managing store exit and staff redundancies Liaising with purchaser of business on transitional matters
	Cash management	Preparing and authorising receipt vouchers Reviewing supplier invoices Preparing and authorising payment vouchers Liaising with Co-op offshore finance team Entering receipts and payments into accounting system Processing payments via on-line banking Processing payroll via on-line banking
	Budgeting and financial reporting	Meetings with staff to discuss trading position Reviewing sales reports and providing internal updates Internal discussions and monitoring cash flow Updating estimated outcome statement
Investigation 76.9 hrs \$43,363.00	Conducting investigation	Liaising with finance team regarding financial data/reports Searching electronic data Interviewing directors Investigations to identify indicators of insolvency and possible claims for insolvent trading Considering potential breaches of director duties Reviewing directors' financial position
Administration 59.9 hrs \$24,801.00	File maintenance	Filing physical and electronic documents Updating checklists
	Insurance	Correspondence with Willis on status of D&O policy Correspondence with Willis regarding expiry and renewal of Administrators' policies

Table of major tasks for remuneration

Task Area	General description	Includes
	Bank account administration	Obtaining bank statements and performing bank account reconciliations Correspondence with bank regarding on-line access to accounts
	ASIC forms and lodgements	Preparing and lodging ASIC forms including notices relating to creditor/committee of inspection meetings, minutes of meetings
	ATO and other statutory reporting	Correspondence with staff on ATO queries Correspondence with WA OSR regarding payroll tax
	Director correspondence & ROCAP	Liaising with legal representative of directors regarding attendance for interview
	Project management	Internal ad-hoc discussions regarding status of administration Periodic meetings to update and brief team
	Books and records	Correspondence regarding collections from closed stores

Schedule B3**Resolution 3**

The below table provides a description of the work expected to be undertaken in each major task area for the period 27 March 2020 to the conclusion of the liquidation

Task Area	General description	Includes
Assets 25.0 hrs \$13,635.00	Sale of business	Attending to sale completion matters Finalising sale of stock and commission earned pursuant to sale contract
	Plant and equipment	Collecting EFTPOS terminals and other IT equipment from closed stores Dealing with sale/disposal of residual store fit-out/small assets Liaising with Hilco on same
	Debtors	Correspondence with debtors
	Stock	Finalising sale or disposal of residual stock on hand Liaising with Hilco on same Concluding arrangements with Jacaru and refund for returned stock
	Leasing	Concluding arrangements with landlords Tasks associated with disclaiming leases Tasks associated with store exits and final payment of rent and outgoings
Creditors 90.0 \$41,255.00	Creditor enquiries	Dealing with creditor enquiries via telephone Maintaining creditor enquiry files Reviewing and preparing correspondence to creditors and their representatives via email and post Correspondence with committee of inspection members
	PMSI claims	Adjudicating on claims Correspondence to claimants notifying outcome of adjudication
	GSA secured creditor	Preparing reports to secured creditor, including estimated outcome statement Verbal and email updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD (not related to a dividend) Reviewing PODs received and updating practice management system with creditor details
	Creditor meetings	Preparing meeting notice, proxy, POD, advertisements and certificate of postage Liaising with external mail house to issue notice of meeting to all known creditors Responding to creditor enquiries Preparing meeting file, including agenda, attendance register, list of creditors, report to creditors, advertisement of meeting and draft minutes of meeting Conducting general meeting of creditors Preparing minutes of general meeting of creditors Convening committee of inspection meetings Preparing meeting notices, agenda, draft minutes

Table of major tasks for remuneration

Task Area	General description	Includes
Employees 130.0 hrs \$54,915.00		Conducting committee of inspection meetings
	Shareholder enquiries	Responding to membership refund queries
	Employees enquiries	Receiving and responding to employee queries on leave and other entitlements
	Calculation of entitlements	Finalising residual matters relating to calculation of employee entitlements
	Employee dividend	Correspondence with employees regarding dividend Calculating dividend rate Preparing dividend file Advertising dividend notice Preparing distribution Receipting POD Adjudicating POD Ensuring PAYG is remitted to ATO
	Workers compensation insurance	Collating payroll data to calculate premiums for pre and post appointment periods Liaising with Willis to finalise policies and premiums due Payment of premiums
	Other employee issues	Finalising residual employee matters
	Trade on management	Finalising supplier accounts Finalising store closures Liaising with staff on store closures and residual trading issues
Trade on 300.0 hrs \$136,525.00	Cash management	Preparing and authorising receipt vouchers Reviewing supplier invoices Preparing and authorising payment vouchers Entering receipts and payments into accounting system Processing payments via on-line banking Processing employee dividend via on-line banking
	Budgeting and financial reporting	Monitoring cash flow Finalising trading position Updating estimated outcome statement
	Conducting investigations	Continuing investigations into potential insolvent trading claims, voidable transactions, breaches of director duties Reviewing and analysing Co-op physical and electronic records to support investigations Discussions with directors and legal representatives on investigation matters
Investigation 430.0 hrs \$215,250.00	Examinations	Briefing solicitors Liaising with solicitors regarding examinations Attendance at examinations Reviewing examination transcripts Liaising with solicitors regarding outcome of examinations and further actions available
	Litigation/recoveries	Briefing solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing and lodging statutory reports

Table of major tasks for remuneration

Task Area	General description	Includes
Administration 40.0 hrs \$20,520.00		Liaising with ASIC Preparing and lodging supplementary report, if required
	General correspondence	Correspondence not related to other matters
	File maintenance	Filing physical and electronic documents Updating checklists
	Insurance	Cancelling insurance policies Obtaining refunds/finalising payment of premiums
	Bank account administration	Preparing correspondence to close accounts Obtaining bank statements and performing bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC forms and lodgements	Preparing and lodging ASIC forms including 505, 5602, 5603, etc
	ATO and other statutory reporting	Preparing and lodging BAS Correspondence via ATO business portal
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Project management	Discussions regarding status of administration
	Books and records	Dealing with records in storage Sending job files to storage

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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 Registered	Discharged
The Chancellor, Masters and Scholars of the University of Oxford	201203270090497	27/03/2012	27/03/2037	Other goods	Yes	
Harpercollins Publishers Australia Pty. Limited	201204120088298	12/04/2012	None stated	Other goods	Yes	
National Australia Bank Limited	201305290088122	29/05/2013	None stated	AllPapWithExcept		
The Chancellor, Masters and Scholars of The University of Oxford	201306080016478	8/06/2013	08/06/2020	Other goods	Yes	
John Wiley & Sons Australia, Ltd	201307190034364	19/07/2013	19/07/2038	Other goods	Yes	
Macquarie University	201401290119004	29/01/2014	29/01/2039	Other goods	Yes	
Ross Haywood Sports Pty Ltd	201401290219972	29/01/2014	None stated	Other goods	Yes	✓
Outliving Pty Limited	201401310373343	31/01/2014	31/01/2039	Other goods	Yes	
Dicker Data Limited	201405300049367	30/05/2014	30/05/2021	Other goods	Yes	✓
Thomson Reuters (Professional) Australia Limited	201406030066771	3/06/2014	None stated	Other goods	Yes	
Thomson Reuters (Professional) Australia Limited	201406030066785	3/06/2014	None stated	Other goods	No	
Synnex Australia Pty. Ltd.	201501270017648	27/01/2015	31/12/2021	Other goods	Yes	✓
JB Hi-Fi Group Pty Ltd; Clive Anthonys Pty Ltd	201504090030717	9/04/2015	09/04/2022	Other goods	Yes	✓
Thornton Cross Pty Ltd	201506180040736	18/06/2015	17/06/2022	Other goods	Yes	✓
Venross Pty Ltd	201604040046458	4/04/2016	03/04/2023	Other goods	No	
Ingram Micro Pty Ltd	201605260004099	26/05/2016	26/05/2023	Other goods	Yes	✓

PPSR Claimant Name	Registration Number	Start date	End date	Collateral Description	PMSI Registered	Discharged
Footprint Books Pty Ltd	201608020092500	2/08/2016	02/08/2023	Other goods	Yes	
GPD Finance Pty Ltd	201608220010065	22/08/2016	28/02/2022	Other goods	Yes	
HP Financial Services (Australia) Pty Limited	201612160002453	16/12/2016	16/12/2023	Other goods	No	
HP Financial Services (Australia) Pty Limited	201612160002469	16/12/2016	16/12/2023	Other goods	Yes	
Electus Distribution Pty. Limited	201612230060989	23/12/2016	15/01/2022	Other goods	No	
GPD Finance Pty Ltd	201702280030993	28/02/2017	28/02/2022	Other goods	Yes	
Stockland Trust Management Limited	201708100055253	10/08/2017	27/01/2023	Other goods	Yes	
BPM Australia Pty Limited	201709190060886	19/09/2017	13/09/2024	Other goods	No	
Macmillan Science and Education Australia Pty Ltd	201711160023392	16/11/2017	16/11/2042	AllPapNoExcept		
Macmillan Science and Education Australia Pty Ltd	201711160024949	16/11/2017	16/11/2042	Other goods	Yes	
Cengage Learning Australia Pty Limited	201711240034028	24/11/2017	20/11/2024	Other goods	Yes	
Anatole G Kowaliw & Associates Pty Ltd	201803080047158	8/03/2018	08/03/2025	Motor vehicle	Yes	
Pro-Pac Packaging (Aust) Pty. Limited	201804270051656	27/04/2018	27/04/2025	Other goods	No	
Funtastic Limited	201805240023084	24/05/2018	17/05/2025	Other goods	Yes	
Stockland Trust Management Limited	201806220004002	22/06/2018	31/05/2023	Other goods	Yes	
Independence Studios Pty. Limited	201807110010997	11/07/2018	11/07/2025	Other goods	No	
Steadysticks Pty Ltd	201810190040179	19/10/2018	18/10/2025	Other goods	No	

PPSR Claimant Name	Registration Number	Start date	End date	Collateral Description	PMSI Registered	Discharged
Milroy Investments Pty. Ltd.	201811290083844	29/11/2018	28/11/2025	Other goods	No	✓
BSGI NZ Limited	201908260036469	26/08/2019	26/08/2044	Other goods	No	
The Axis Brokerage & Trading Company Pty Ltd	201910290075781	29/10/2019	29/10/2026	Other goods	No	
Bloom & Grow Australia Pty Ltd	201910300090462	30/10/2019	30/10/2044	Other goods	No	
Zen Imports Pty Ltd	201911060032454	6/11/2019	06/11/2026	Other goods	No	
Strategies Unleashed Pty Limited	201911150078089	15/11/2019	15/11/2026	Other goods	No	