



**Cornerstone Investment Aust Pty Limited  
(In Liquidation)  
A.C.N 082 383 640  
T/as Empower Institute  
T/as Australian Institute of Commerce & Language  
(the “Company”)**

**Second Report to Creditors**

**23 January 2018**

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## ABBREVIATIONS

ACCC	The Australian Competition and Consumer Commission
Act	The Corporations Act 2001
AGS	Australian Government Solicitors
AICL	Australian Institute of Commerce and Language (BN98009110)
AIHE	AIH Higher Education Pty Ltd (ACN 160 991 597)
AIH	Australian Institute of Higher Education Pty Ltd (ACN 117 349 256)
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	Australian Securities & Investments Commission
ASQA	Australian Skills Quality Authority
ATO	Australian Taxation Office
CBA	Commonwealth Bank of Australia Limited
CY	Calendar Year
DE & T	the Department of Education and Training
Director	Mr Jim Yang (also known as Mr Jin Yang)
DoCA	Deed of Company Arrangement
EBIT	Earnings before interest and tax
ERV	Estimated Realisable Value
FY	Financial Year
Liquidators	Michael Hogan and Christian Sprowles
NPAT	Net profit after tax
PMSI	Purchase Money Security Interest
PPSR	Personal Properties and Securities Register
Related Parties	Various associated entities as detailed in section 4.4
TBA	To be announced
TBD	To be determined
TEQSA	Tertiary Education Quality and Standards Agency

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the Company	Cornerstone Investment Aust Pty Ltd (In Liquidation); t/as Empower Institute; and t/as Australian Institute of Commerce and Language (“AICL”)
RATA	Report as to Affairs, submitted by Mr Yang on 23 November 2017
RTO	Registered Training Organisation
Undertaking	Company undertaking with regards to dealing with assets of the Company signed on 23 February 2016
Undertaking Period	the period 23 February 2016 to 26 April 2017
VET FEE-HELP	Income contingent loan support to eligible students studying approved Diploma level and above vocational education
VET Student Loans	Replaced VET Fee-Help from 1 January 2017
Westpac	Westpac Banking Group Limited
W & M	Whittens & McKeough Pty Limited
YTD	Year to Date

## 1. EXECUTIVE SUMMARY

### 1.1. Liquidator appointment

Christian Sprowles and I were appointed Joint & Several Liquidators of the Company on 26 April 2017 pursuant to a resolution passed by its members.

The first meeting of the Company's creditors was held on 5 May 2017 and this is the second report to creditors.

### 1.2. Purpose of this report

The purpose of this report is to provide creditors with an update on the liquidation and outcome of our investigations to date.

We are also seeking funding from creditors to conduct a public examination of the Company director, Mr Jim Yang, and other parties to obtain further information relating to key transactions and dealings with the director, director related party entities, the Company's advisors and other entities.

We are currently with limited funds and seeking funding from creditors to conduct a public examination of the Company director, Mr Jim Yang.

Details of the evidence we are pursuing, and the potential recoveries are discussed throughout the report. If a creditor is willing to provide funding could you, please contact our office by no later than **Wednesday, 14 February 2018**.

### 1.3. Estimated return to creditors

A return to creditors is contingent on potential recovery of related party loans and voidable transactions.

Our investigations indicate that the director may be indebted to the Company on account of an insolvent trading claim, breaches of director's duties under sections 180 to 183 of the Act, and issues in relation to the \$43.5m franked dividend.

In addition to the above, there are also potential voidable transaction recoveries associated with payment of legal fees to W & M of at least \$1.0m (total claim against W & M \$2.8m), director related party payments for rent of \$449k (unreasonable director related payment), payments for software development of \$2.8m (uncommercial transactions) and a potential preference payment of \$4.1m (unfair preference). These are discussed at section 8 of the report.

### 1.4. Notice of meeting of creditors

A meeting of creditors will be held at **Level 9, 60 Pitt Street, Sydney NSW 2000** on **Thursday, 15 February 2018 at 11:00am**.

Creditors are encouraged to attend at least 15 minutes prior to this time to enable orderly registration for the meeting, please submit proxy and proof of debt forms by 5.00pm on Wednesday, 14 February 2018.

Attendance at the meeting, whilst encouraged, is not mandatory and non-attendance will not impact the rights of creditors.

**Appendix A** includes the notice of the meeting, proxy form and informal proof of debt.

## 1.5. Results of our investigations

We have undertaken investigations into the affairs of the Company with a view to identifying possible recoveries that may be available for creditors in a liquidation. Our investigations are discussed in further detail in this report, and summarised below.

Investigation	Outcome	Potential recovery \$'000's
Uncommercial transactions 588FB (refer to s.8.2(b))	We have identified the following payments that may be subject to this section of the Act:  Payments made to NetiveEdu Pty Ltd \$2.75m.	2,750
Unreasonable director related transactions 588FDA (refer to s.8.2(d))	We have identified the following payments that may be subject to this section of the Act: Payment of inter-company loan to AIH for \$700k; and Payment of rental leases of \$449k and office fit out costs of \$1.0m paid in FY16 on behalf of other entities. Further transactions maybe identified through the conduct of the proposed public examinations.	2,149
Breach of director's duties s180 to s183 (refer to s.9.1)	Based on the information currently available we are of the opinion that the director is in contravention of these sections.  Public examination is required to determine the quantum of any claim.	TBA
Insolvent trading 588FGA (refer to s.8.3)	Our preliminary view is that the Company was insolvent from at least 19 January 2017 and may have been insolvent from as early as 31 December 2015.  Given the Company appeared to meet all ongoing expenses from 31 December 2015 (being principally legal fees, employee obligations and director's fees) any claim would likely be limited to DE & T's claim of \$5.9m.	Further investigations to be undertaken
Unfair preferences 588FA (refer to s.8.2(a))	Payment of \$4.1m to DE & T on 18 April 2017 being a partial payment of an invoice of \$10m.  There is no current evidence that the DE & T was aware or reasonable should have been aware of the insolvency of the Company. We will continue investigating in relation to the potential claim.	Further investigations to be undertaken

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W & M Legal Fees (refer to s.7.1)	We have sought to recover \$2.84m from W & M. This includes at least \$1.0m in uncommercial transactions. We expect to receive an update on W&M's position shortly.	2,840
31 December 2015 Dividend of \$43.5m (refer to s.7.2)	The Company paid a \$43.5m dividend in December 2015. Examination of the director and Company advisors are required to determine the validity of the dividend, and if any portion of the dividend can be recovered.	TBC
Role and responsibility of PWC (refer to s.7.3)	We intend to seek clarification via public examination from PWC on their role and advice provided to the Company. We intend to seek recoveries if PWC are found to have breached their duties.	TBC

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## 2. DISCLAIMER

In reviewing this report, creditors should note the following:

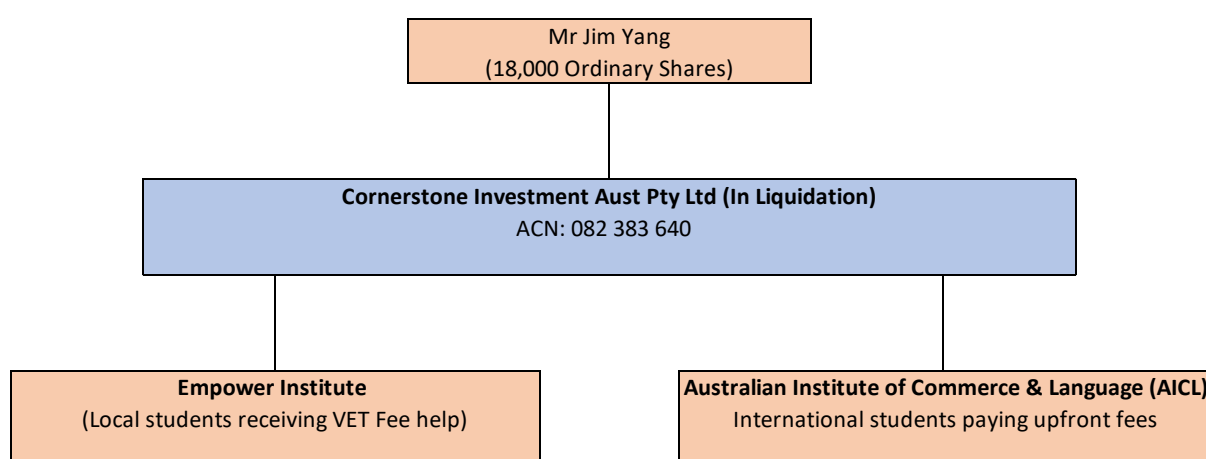
- The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this report and the date of any public hearings or litigation;
- Neither we, nor HoganSprowles, nor any member or employee thereof is responsible in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us; and
- In considering the options available to creditors and formulating their recommendation, the Liquidators have necessarily made forecasts of asset realisations and total creditors. These forecasts and estimates may change as asset realisations and any claims progress.

### 3. OVERVIEW AND STATUTORY INFORMATION

#### 3.1. Background and operations

Cornerstone Investment Aust Pty Ltd (“the Company”) was incorporated and commenced trading as an education provider in April 1998. ASIC records indicate that Mr Jim Yang, has been the Director, Company Secretary and sole Shareholder since incorporation.

The Company operated through two businesses, Empower Institute and AICL, who were vocational education providers for local and international students, respectively.



A summary of the ASIC database is provided below:

Company Details		
Date of Registration	22 April 1998	
Registered Office	Level 2, 17-21 Macquarie Street, Parramatta NSW 2150	
Principal Place of Business	Level 2, 17-21 Macquarie Street, Parramatta NSW 2150	
Current Director	Appointed	Ceased
Jin Heung Yang	22 April 1998	-
Secretary	Appointed	Date Ceased
Jin Heung Yang	22 April 1998	-
Current Members	Shares Held/Type	Paid Up Capital
Jin Heung Yang	18,000 Ordinary Shares	\$18,000

At the date of our appointment, the Company traded from Level 3, 85 Flushcombe Road, Blacktown NSW and had additional student campuses as discussed in section 6.3 prior to our appointment. The Company had one employee, being the director, and two contractors at the date of our appointment.

During the two years, from 1 July 2014 to 30 June 2016, the Company experienced exponential growth. Revenue was principally generated from VET FEE-HELP Advances from DE & T. The Company sourced students predominately from third party agents, who were paid commissions. This led to a significant increase in student numbers, up to approximately 9,814 over the period 1 July 2014 to 30 June 2016, and significant VET FEE-HELP Advances.



### 3.2. Timeline of events – prior to liquidation

A summary of the key events leading up to the Liquidators appointment is provided below.

- 14 May 15 – ACCC send s.155 notice requesting information from the Company
- 24 Jun 15 – Dr Heaney responds to notice on behalf of the Company
- 23 Nov 15 – PWC appointed registered tax agent
- 2 Dec 15 – ACCC commence proceedings against Company
- 23 Dec 15 – Undertaking requested from AGS
- 23 Dec 15 – FY15 financials signed on a going concern basis
- 31 Dec 15 – \$30.5m dividend paid to Mr Yang
- 15 Jan 16 – PWC provide asset & liabilities statement
- 4 Feb 16 (morning) – ASQA cancel registration
- 4 Feb 16 (afternoon) – Paid \$550k to NetiveEdu & contract signed for new student software
- 23 Feb 16 – Signed Undertaking dealing with assets
- 26 April 16 – Franking amount of \$11.7m paid to ATO
- 16 Dec 16 – FY16 accounts signed (unaudited accounts)

### 3.3. Directorship search – Mr Yang

An ASIC directorship search on Mr Yang revealed the following related entities:

- Jim Yang Nominees Pty Ltd (Director and Secretary on 15 June 2009);
- Jim Yang Consultancy Pty Ltd (Director and Secretary on 18 May 2015);
- Cornerstone Education Group Pty Ltd (Director and Secretary on 13 November 2014);
- Jin Yang Properties Pty Ltd (Director and Secretary on 7 August 2015);
- AIH Higher Education Pty Ltd (Director on 29 October 2012) – deregistered;
- Cornerstone Education Holdings (Parramatta) Pty Ltd (Director 10 April 2015) – deregistered;
- Song San Pty Ltd (Director and Secretary on 23 February 2016);
- Palladium Hospitality Pty Ltd (Director on 23 February 2017);
- Palladium Holdings Corporation Pty Ltd (Director on 23 February 2017);
- Palladium Investments International Pty Ltd (Director on 23 February 2017);
- Australian Institute of Higher Education Pty Ltd (Director 11 April 2007 - 31 December 2015);
- Australian Medical Review Centre Pty Ltd (Director 25 July 2012 - 5 February 2014); and
- SO Gang Developments Pty Ltd (Director 17 April 1996 - 22 February 1997) – deregistered.

### 3.4. Security interests and Personal Property and Securities Register (“PPSR”)

PPSR legislation became operational on 30 January 2012 and among other things replaced the previous system of security registration and retention of title. A search of the PPSR revealed the following 19 security interests:

Grantor	Registration	Collateral Class	Status/Comments
Westpac Banking Corporation	201112200019632	All present and after acquired property	Registered 30/1/12
Westpac Banking Corporation	201112204664128	All present and after acquired property	Registered 30/1/12
Westpac Banking Corporation	201112280043021	All present and after acquired property	Registered 30/1/12
Westpac Banking Corporation	201112281041570	All present and after acquired property	Registered 30/1/12
CSG Finance Australia Pty Ltd	Various (15 registrations)	Other goods (various photocopiers and copier software)	PMSI’s registered between 25/7/13 to 16/11/16

We note that CSG Finance Australia Pty Ltd registered PMSI’s against the Company on 14 photocopiers and the copier software. The most recent PMSI’s registered include the leasing of four photocopiers on 16 November 2016, with an end date of 16 November 2021. We are unaware of the commercial benefit the Company may have received from leasing four photocopiers from 16 November 2016.

Creditors that have not registered their interest on the PPSR, prior to the date of the Liquidators’ appointment, are not entitled to claim a security interest in goods held by the Company. The fact that a creditor has or cannot register their interest on the PPSR, does not prevent that creditor from asserting its claim as an unsecured creditor of the Companies, and subject to the availability of funds, receipt of a dividend through a liquidation.

### 3.5. Books and Records

The Liquidators are required to provide an opinion as to whether the Companies’ books and records are maintained in accordance with section 286 of the Act for a period of seven years. The Act required that a company maintain financial records that correctly record and explain its transactions, financial position and performance, and enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records may give rise to a presumption of insolvency pursuant to section 588E of the Act. This presumption may be relied upon by the Liquidator in an application

for compensation for insolvent trading and other actions for recoveries pursuant to Part 5.7B of the Act from the directors and related parties.

The administrative functions of the Company, including the day to day accounting function and the maintenance of books and records, were performed internally by various employees of the Company.

We have been provided with books and records of the Company including copies of financial statements, bank statements, creditor information and access to the Company's Xero Accounting Software and the RTO Manager Student Management System. The last set of financial statements were to the financial year ending 30 June 2016.

As the 30 June 2015 and 30 June 2016 financial statements have been audited or reviewed by the Company's auditor, PWC.

Our current view is that the books and records are kept in a manner that complies with section 286 of the Act. The Company records are kept in a systematic manner and information was available for management to assess the financial performance of the Company in a timely manner.

### **3.6. Information for creditors**

To assist creditors in understand the liquidation process, the ASIC has released a package of insolvency information sheets. These have the endorsement of the ARITA and can be downloaded from the ASIC and ARITA websites. The respective websites are:

- [www.arita.com.au](http://www.arita.com.au)
- [www.asic.gov.au](http://www.asic.gov.au)

## 4. HISTORICAL FINANCIAL STATEMENTS

A summary of the Company's historical financial statements is provided below.

### 4.1. Profit and Loss Statements

	Financial statements			Management
	FY14	FY15	FY16	Accounts
	\$'000	\$'000	\$'000	FY17 YTD
				\$'000
<b>Revenue</b>	5,076	28,511	62,899	43
<b>Expenses</b>				
Legal and accountancy expenses	12	61	2,565	1,728
Advertising expenses	293	1,802	217	21
Commissions paid	823	16,907	3,320	-
Director's fees	179	-	-	-
Employee benefits expenses	1,406	2,452	3,916	621
Professional fees - teachers	617	822	387	164
Rent and occupancy costs	956	1,167	2,149	205
Other expenses	537	4,414	2,346	62
<b>Total Expenses</b>	<b>4,824</b>	<b>27,626</b>	<b>14,899</b>	<b>2,800</b>
<b>EBITDA</b>	<b>252</b>	<b>885</b>	<b>47,999</b>	<b>(2,757)</b>
Net interest expense/(income)	-	374	(94)	(115)
<b>Earnings before interest and tax</b>	<b>252</b>	<b>511</b>	<b>48,093</b>	<b>(2,642)</b>
Depreciation and amortisation expenses	243	407	3,943	817
<b>Profit before tax</b>	<b>9</b>	<b>105</b>	<b>44,149</b>	<b>(3,459)</b>
Income tax expense	7	587	15,629	1
<b>Net profit after tax</b>	<b>2</b>	<b>(482)</b>	<b>28,521</b>	<b>(3,460)</b>

Note: the FY17 YTD financials are the Company's Management accounts from Xero, up to 26 April 2017.

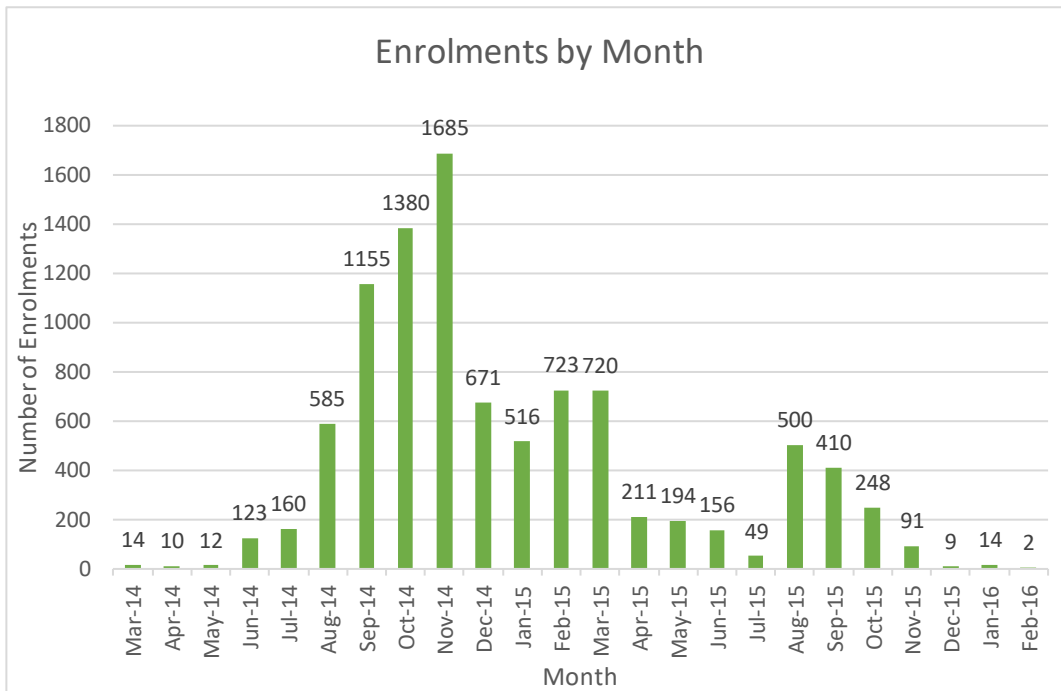
We provide the following commentary:

#### 4.1.1 Revenue

The Company experienced significant year on year growth, with revenue increasing by 461.7% and 1,206.1%, for the FY15 and FY16 years respectively. The key driver for this growth was in increase in student numbers. Factors influencing the increase in student numbers include:

- the removal of student screening tests;
- Management direction to increase student numbers; and
- the outsourcing of recruitment, with the engagement of multiple marketers, agents and sub-agents to enrol students.

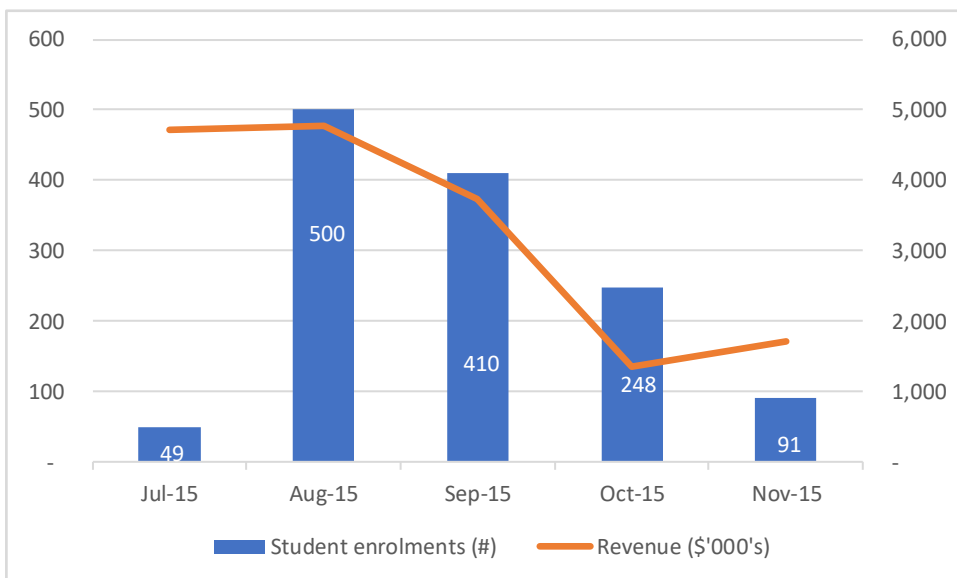
**Student enrolment numbers**



Source: Company's RTO Manager Student Management System

**Timing of revenue recognition**

Due to the timing of when revenue is recognised, there is no direct correlation between student enrolments and revenue. This is illustrated below for the period, July 2015 to November 2015.



	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Total
Student enrolments (#)	49	500	410	248	91	<b>1,298</b>
Revenue (\$'000's)	4,723	4,772	3,744	1,352	1,724	<b>16,315</b>
<b>Average revenue per student (\$'000's)</b>	<b>96.4</b>	<b>9.5</b>	<b>9.1</b>	<b>5.5</b>	<b>18.9</b>	<b>12.6</b>

Note: December 2015 enrolments and significant increase in revenue is discussed below.

#### December 2015 - revenue recognised

On 31 December 2015, the Company recognised revenue of \$22.7m in the management accounts. On review of the Company records, we have been unable to verify, or reconcile the significant amount of revenue recognised in the month of December 2015.

The revenue recognised in December 2015 is significantly higher than the average monthly revenue recognised in the preceding five months. We have not identified any significant events, or increases in course fees, that supports this spike in revenue recognised in December 2015.

	Jul-15 to Nov-15 (average)	Dec-15	Difference
Student enrolments (#)	260	9	251
Revenue (\$'000's)	3,263	22,736	(19,473)
<b>Average revenue per student (\$'000's)</b>	<b>12.6</b>	<b>2,526.2</b>	

We note the Company's accounting policy for recognising revenue was unchanged in the 30 June 2015 and the 30 June 2016 Financial Statements.

#### Overpayment of VET FEE-HELP Advances

In December 2016, DE & T issued a tax invoice to the Company for \$10.0m, in relation to overpaying the Company VET FEE-HELP payments for 2016. The Company partially paid this invoice, with a payment of \$4.1m to DE & T on 18 April 2017. The balance of \$5.9m remains outstanding to DE & T. DE & T are listed in the RATA as a creditor for this amount.

#### Revenue recognised post February 2016

Following the termination of the Company's RTO registration in February 2016, the Company was unable to accept any new enrolments. The Company continued to train existing students. In August 2016, the Company engaged iEducate Pty Limited to complete training of the remaining 84 students. During this time the Company recognised revenue monthly up to December 2016.

#### 4.1.2. Expenses

##### Legal and accountancy expenses

Legal and accountancy expenses increased significantly in FY16 and FY17, comprising of W & M and PWC. Legal services were provided to the Company for ongoing investigation and litigation with the ACCC and "other services". Accountancy services were provided to the Company to

provide auditing, tax and other services. Legal and accountancy fees are discussed in further detail in section 8.

### Commissions paid

Commissions were paid to agents, and to a lesser extent staff, who sourced students to enrol in the Company's courses. Commissions paid increased from \$0.8m (FY14) to \$16.9m (FY15), as student enrolments increased from 164 students (FY14) to 8,277 students (FY15). Commission payments of up to 30% of the VET FEE-HELP Advance amount were generally paid to agents after the first Census date.

### Employee benefits expenses

Employee expenses increased by 160% from FY15 to FY16, despite headcount decreasing from 59 to 39 staff. The increase is attributed to bonuses, redundancies and other expenses.

#### *Bonus to Mr Yang - \$150k*

We note, a bonus of \$150k was paid to Mr Yang on 24 December 2015.

#### *Mr Yang salary increase*

On 6 January 2016, Mr Yang's annual salary increased from \$100k to \$300k.

#### *Ratio of staff to students*

In, or around April 2014, we understand that the Company sought to have one staff trainer per 75 students. Based on this ratio, with 9,814 students the Company would require 131 staff trainers to maintain this ratio of staff to trainers. At 30 June 2016 the Company employed 8 staff across the entire business.

#### *Industry average*

A IBISWorld Report on the Technical and Vocational Education and Training in Australia dated March 2017 provides an industry ratio of wages as a percentage of revenue. This report highlights that in FY15 and FY16, the wages expenses as a % of revenue were significantly below the industry average.

	IBIS Report Industry Average	Company	Variance in percentage points
	%	%	
2012-13	50.3	36.6	(13.7)
2013-14	45.9	40.0	(5.9)
2014-15	38.9	11.5	(27.4)
2015-16	37.5	6.8	(30.7)

The Company maintained lower staffing levels relative to revenue in FY15 and FY16, compared to FY13 and FY14.

## 4.2. Historical Balance Sheet

	Financial statements			Management Accounts
	FY14 \$'000	FY15 \$'000	FY16 \$'000	FY17 YTD \$'000
<b>ASSETS</b>				
Cash and cash equivalents	1,142	1,955	11,440	311
Debtors	1,265	54,892	952	2,402
<b>Total Current Assets</b>	<b>2,407</b>	<b>56,847</b>	<b>12,392</b>	<b>2,714</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	1,351	1,407	-	596
Intangible assets	90	90	-	163
Student management system	-	-	-	2,526
Tax assets	41	41	-	41
<b>Total Non-Current Assets</b>	<b>1,482</b>	<b>1,538</b>	<b>-</b>	<b>3,326</b>
<b>Total Assets</b>	<b>3,889</b>	<b>58,385</b>	<b>12,392</b>	<b>6,040</b>
<b>LIABILITIES</b>				
Trade and Other Payables	344	639	132	5,921
Provisions	138	85	9,194	5,474
Tax liabilities	(45)	536	3,152	(3,347)
Other current liabilities	623	55,277	-	19,822
<b>Total Current Liabilities</b>	<b>1,059</b>	<b>56,538</b>	<b>12,478</b>	<b>27,870</b>
<b>Net Assets</b>	<b>2,830</b>	<b>1,848</b>	<b>(86)</b>	<b>(21,830)</b>
<b>EQUITY</b>				
Issued capital	18	18	18	18
Retained earnings	2,812	1,830	(104)	12,935
Current year earnings	-	-	-	(3,292)
Dividend	-	-	-	(30,955)
Surplus/deficit for year	-	-	-	(538)
<b>Total Equity</b>	<b>2,830</b>	<b>1,848</b>	<b>(86)</b>	<b>(21,830)</b>

We provide the following commentary on the Company's Balance Sheet as at 30 June 2016:

### Net Assets – (\$86k)

In the 30 June 2016 financial statements, reviewed by PWC, the Company had a negative net asset position of \$86k.

### Cash and cash equivalents - \$11.4m

As at 30 June 2016, the Company held \$11.4m in cash accounts and term deposits. While the company operated several accounts, this balance appears to be made up of the receipt of \$12.8m on 22 February 2016, for the principal paid in relation to the Term Deposit Account #2 into the Company's Westpac Cheque Account.

Management Accounts indicate that these funds were then transferred into and out of Company accounts, of which during the period 1 July 2016 to 26 April 2017, \$10.84m was paid to the



following recipients:

- DE & T – VET FEE-HELP Recovery 2016 (\$4.1m) on 18 April 2017;
- Australian Taxation Office - FY16 income tax (\$3.2m) on 22 November 2016; and
- W & M Trust Account – legal fees and prepayments (3.54m) on various dates;

with the balance of the funds used for Company expenses up to 26 April 2017, or recovered in the Liquidation.

### **Property, Plant & Equipment - \$nil**

Following the surrender of the leased properties, in the FY16 Financial Statements the Company wrote off all property, plant & equipment. The management accounts as at 26 April 2017 record a carrying value of \$596k.

While we have realised limited plant & equipment from the Blacktown campus, investigations are ongoing regarding the balance of any realisable assets and the accounting treatment of the write off.

### **Provisions - \$9.2m**

The FY16 provisions comprised of:

- Employee benefits, being annual leave and long service leave of \$0.5m (\$0.1m FY15); and
- A provision for refund of student fees of \$8.7m (\$nil FY15).

The provision of student fees is in relation to the potential refund of VET FEE-HELP Advances to the DE & T. On 20 December 2016, DE & T issued a Tax Invoice to the Company for VET FEE-HELP Recovery 2016, in the amount of \$10.0m. This invoice was partially repaid, in the amount of \$4.1m on 18 April 2017. The balance of \$5.9m remains outstanding to DE & T.

### **Tax liability - \$3.2m**

At 30 June 2016, the Company recorded a tax liability of \$3.2m in relation to income tax for the financial year ending 30 June 2016. This tax liability was paid to the ATO on 22 November 2016.

## **5. REPORT AS TO AFFAIRS (“RATA”)**

The Act requires directors and secretary to complete and provide to the Administrators a RATA, detailing the financial position of the Companies at the date of our appointment. The RATA discloses the estimated book value and estimated realisable value (ERV) of known assets and liabilities.

After numerous requests, Mr Yang provided a completed RATA to the Liquidators on 23 November 2017. A copy of the Directors’ RATA has been lodged with ASIC, and is summarised below.

	Notes	Book Value (\$'000)	ERV (\$'000)	Realisations to date (\$'000)
<b>ASSETS</b>				
Sundry Debtors	5.1	124	124	72
Cash on hand	5.2	-	-	-
Cash at bank	5.2	16	16	24
Plant and Equipment	5.3	432	72	6
Return of rental bonds	5.4	223	223	197
GST Refund		-	-	291
<b>Total Assets</b>		<b>796</b>	<b>436</b>	<b>590</b>
<b>LIABILITIES</b>				
Employee Entitlements	5.5	642	642	
Unsecured creditors	5.6	5,926	5,926	
Contingent liabilities	5.7	-	-	
<b>Total Liabilities</b>		<b>6,568</b>	<b>6,568</b>	
<b>Surplus/(deficiency)</b>		<b>(5,773)</b>	<b>(6,133)</b>	

Note: RATA records Contingent Liabilities to DE & T for \$19.5m, not included above.

We provide the following comments on the Directors RATA dated 30 April 2017.

### 5.1. Sundry debtors (\$124k)

According to the RATA, there are two debtors: AIH (\$52.3k) and Auscert Business Services (\$72.0k).

We have collected the Auscert Business Services debt of \$72.0k. This was a security deposit held in W & M's Trust Account for tuition assurance.

On 19 May 2017, we wrote to Mr Dobbie of AIH seeking the payment of the \$45k debt, the debt based on management accounts. We are yet to receive a response from Mr Dobbie. In light of the RATA stating the debt is \$52.3k, we intend review the quantum of the claim and pursue AIH for payment of this debt.

We are not aware of any further debtors, although our ongoing investigations may result in additional claims being made.

### 5.2. Cash on hand and cash at bank

On appointment, petty cash of \$100 was collected and deposited into the Liquidators account.

Following our appointment, we secured \$17k from the Company's bank account held with CBA. We are not aware of any additional bank accounts held in the Company's name.

### 5.3. Plant and equipment

The plant and equipment located at the Blacktown premises was collected by our independent valuer and auctioneer for auction. After auctioneer costs and expenses, \$7.7k was realised from the sale of plant and equipment.

Following the surrender of the property leases:

- 2 – 14 Meredith Street, Bankstown – lease surrendered around 11 March 2016; and
- 17 – 21 Macquarie Street, Parramatta – lease surrendered around 26 August 2016.

No plant and equipment were available to be realised from these properties.

The location, and or sale, of the Company's plant and equipment at both the Bankstown and Parramatta campuses is unknown. We have sought several meetings with Mr Yang. To date, we have not had the opportunity to meet with Mr Yang and discuss several matters regarding the Company's affairs.

We are not aware of any further plant and equipment.

### 5.4. Other assets

The Company operated four term deposit accounts. On appointment we secured three accounts and realised \$203k in term deposits. The final account was a \$29.2k security deposit for the Blacktown premises. The Landlord applied the full security deposit against the make good of the lease. On review of the make good requirements, it is not commercial to pursue the recovery of the security deposit. We are not aware of any additional term deposits in the Company's name.

We note, while not listed in the RATA prepared by Mr Yang, based on our investigations to date there are several other potential recoveries. Due to the ongoing investigations and potential impact on recoveries, we have withheld further details on these recoveries in this report. We expect to advance these recoveries in the coming weeks, and hope to be able to provide an update on these recoveries at the proposed meeting of creditors.

### 5.5. Employee entitlements

On our appointment, Mr Yang was the only remaining employee of the Company. Mr Yang estimates that his outstanding entitlements from the Company total \$642k.

At this stage of the liquidation we have not adjudicated on employee or creditor claims. Our priority is currently focused on asset realisations and litigation, to maximise the funds available for creditors.

We note that employee claims are afforded a priority in distributions ahead of unsecured creditors. However, pursuant to section 556(2) of the Act, director's priorities are capped at amount of \$3.5k, with the balance of any director claims ranking as an ordinary unsecured creditor claim in the liquidation. The balance of Mr Yang has been included below. We have not yet adjudicated on this claim.

We are not aware of any other employee entitlement claims in the liquidation.

## 5.6. Unsecured creditors

A summary of the unsecured creditors in the RATA is below.

Unsecured Creditor Claims	RATA \$'000	Proof of Debt Received \$'000
CI Australia Pty Ltd	9	-
CSG Finance Group	TBA	-
DE & T	5,914	5,914
Energy Australia	1	-
Telstra	2	-
W & M	-	22
<b>Total</b>	<b>5,926</b>	<b>5,936</b>
<b>Other known creditors</b>		
ACCC	-	70,000
Mr Jim Yang (balance of employee claim)	642	639
<b>Total (including employee claims and ACCC)</b>	<b>6,568</b>	<b>76,575</b>

The ACCC's claim for \$70.0m is a contingent liability based on ongoing litigation. While the debt is not listed in the RATA, we intend to review this claim after further investigations are conducted and assets are realised.

At this stage of the liquidation we have not called for final proof of debt claims, or adjudicated on any of the creditor claims received to date. In the event there are sufficient asset realisations for a distribution to creditors, we will adjudicate on all claims. The adjudication process may involve seeking further supporting information from creditors to substantiate claims.

## 5.7. Contingent liabilities

The RATA states a contingent liability of \$19.5m to DE & T. On review of the management accounts, DE & T's tax invoice for \$10.0m, the payment to DE & T of \$4.1m, we are of the view that DE & T are a creditor for \$5.9m in accordance with the proof of debt we have received from DE & T.

## 6. UNDERTAKING - ASSETS AND LIABILITIES STATEMENT

On 23 February 2016, the Company provided an Undertaking to the ACCC, as to dealings and assets of the Company. Included in the Undertaking, was an Asset and Liabilities Statement as at 19 February 2016.

We have reviewed the movement between the 19 February 2016 Asset and Liability Statement, with the RATA dated 30 April 2017. Our analysis has been withheld from this report, to assist with our further investigations and actions for potential recoveries.

## 7. ESTIMATED RETURN TO CREDITORS

We are unable to estimate the return to creditors until our investigations are further progressed. A summary of our current estimated position statement is below.

Estimated position statement	Total (incl GST) \$'000
<b>Assets realised to date</b>	
Cash at bank	24
Plant and equipment	6
Return of rental bonds	197
GST refund	291
Funds held in trust	72
<b>Total receipts</b>	<b>590</b>
<b>Estimated recoveries</b>	
Refer to the above section 1.2	Uncertain
Less: Liquidators costs paid to date	44
Less: Legal costs and disbursements paid to date	167
Less: WIP incurred to 22 January 2018	336
Less: Estimated liquidators costs to 12 July 2018	150
Less: Estimated legal costs to 12 July 2018	300
Less: Estimated future liquidators costs, legal costs and disbursements to completion	To be confirmed
<b>Less: Employee entitlements</b>	<b>4</b>
<b>Total surplus/deficiency available for unsecured creditors</b>	<b>Uncertain</b>
<b>Unsecured creditors (claims not yet adjudicated)</b>	
DE & T	5,914
Jim Yang (balance of employee claim)	639
W & M	22
ACCC (contingent liability)	70,000
<b>Total unsecured creditors</b>	<b>76,575</b>

### 7.1. W & M Legal fees (\$2.8m)

In November 2015, W & M were engaged by the Company to act in relation to an investigation of the Company's corporate affairs then being undertaken by the ACCC.

From 25 November 2015 to 26 April 2017 the sum of \$5,170,217 was invoiced by W & M and paid by the Company. This amount included five tax invoices totalling \$2,750,000, which are of an unusual nature and require further explanation. Together these invoices are called "lump sum invoices", and include:

- 16 June 2016, invoice 4686 for \$500,000;
- 26 August 2016, invoice 4848 for \$500,000;
- 21 October 2016, invoice 5022 for \$250,000;
- 19 December 2016, invoice 5164 for \$500,000; and
- 7 February 2017, invoice 5238 for \$1,000,000.

These payments, or some of these payments, may constitute uncommercial transactions pursuant to section 588FB of the Act. We are of the opinion, that at a minimum, the payment of \$1,000,000 in relation to the 7 February 2017 invoice is an uncommercial transaction.

We have reviewed W & M's engagement letters of November 2015 and February 2017, and note that Partners hourly rates increased from \$650 per hour to \$1,000 per hour. On review of invoices from 11 November 2015, W & M charged time over and above \$650 an hour in amounts totalling \$90,119. We have recently sought repayment of this amount from W & M.

We have engaged an expert cost assessor, to provide a high-level opinion on the reasonableness of W & M's legal fees. There are a number of matters in respect to W & M's legal fees that require further clarification.

We have recently offered to have a meeting with W & M to discuss the matters raised by our cost assessor. Investigations are continuing into

## **7.2. Dividend paid (\$43.5m)**

In the 30 June 2016 financial year, the Company paid a dividend of \$30.5m, with a franking credit of \$13.0m.

Further investigations are required on the revenue recognised in December 2015 to facilitate a dividend of \$30.5m.

## **7.3. PWC – Dividend paid (\$43.5m)**

PWC were engaged around the time the ACCC were commencing litigation against the Company and the dividend declaration of \$30.5 million.

From the time of PWC's engagement as the registered tax agent (23 November 2015) and appointment as Company auditor (7 December 2015), PWC assisted the Company with:

- auditing and finalising the 30 June 2015 Financial Statements;
- drafting the asset and liability statement of the Company; and
- finalising documentation for the declaration of the dividend on 31 December 2015.

### ***PWC's remuneration***

Within the nine-month period, from 23 November 2015 to 23 August 2016, PWC issued 10 tax invoices to the Company in the sum of \$702,790 (including GST) for audit, tax and other services. Other services included four invoices in the sum of \$224,400 (including GST), with the service description of "*Time incurred and yet to be incurred for Cornerstone Investments Aust Pty Ltd and related entities*".

No information regarding these invoices, the nature of services performed, or the entities for which services were performed has been provided.

### ***Revenue recognised in December 2015***

The revenue recognised in December 2015 of \$38.4m was significantly higher than the preceding five-month average of \$3.3m (July 2015 to November 2015), and the FY15 monthly average of \$5.7m.

As a result of recognising revenue of \$38.4m in December 2015, the Company declared a dividend of \$30.5m on 31 December 2015, before being grossed up to \$43.0m. According to the management accounts, after recording the dividend, the 31 December 2015 Balance Sheet had a net asset deficiency of \$2.7m.

### ***Reconciliation to taxable income***

A Reconciliation to Taxable Income for 30 June 2016 was prepared by PWC on or around 17 November 2016. There are a number of anomalies with the reconciliation of the 30 June 2016 financial accounts to the taxable income.

These anomalies include the \$5m provision on legal settlement in the reconciliation (November 2016), whereas there was no provision recorded in the 30 June 2016 financial accounts (signed December 2016).

We note that during the period, 1 July 2016 to 17 November 2016, the Company paid \$1.1m to W & M in legal fees, part of which is likely to have been incurred as a result of the ACCC litigation.

Further investigations regarding PWC's remuneration, role in overseeing the revenue recognised in December 2015, the \$30.5m dividend declaration, other transactions and reconciliation to taxable income is required.

### **7.4. Payment of rental expenses on behalf of CEG (\$449k)**

The Company operated from, or financed, the following leased premises:

- 17-21 Macquarie Street, Parramatta NSW (\$191.4k);
- 2-14 Meredith Street, Bankstown NSW (\$278.1k); and
- 85 Flushcombe Road, Blacktown NSW (\$107.6k).

While we understand that the campuses were underutilised, these expenses relate to occupancy costs, including rent and outgoings, and significant lease termination costs for the surrender of each lease when the Company wound down operations.

On review of the lease for the 2-14 Meredith Street, Bankstown ("Bankstown Property"), we note that the lessee is Cornerstone Education Group Pty Ltd ("CEG"), and not in the name of the Company. During the Undertaking Period the company paid rent (\$14k) and surrender of lease costs (\$264k) on behalf of CEG for the Bankstown Property. The total occupancy payments made by the Company on behalf of CEG, prior to and during the Undertaking Period total \$449k.

We have recently requested further information from CEG and repayment of the rental expenses. To date we have not received a response.

We intend to pursue the claim against CEG.

### **7.5. Taxation – ATO (\$tbc)**

We have reviewed and amended the Company's recent Business Activity Statements prior to our appointment and have recovered GST refunds totalling \$291k.

Furthermore, we are currently reviewing the Company's recent Income Tax Returns to determine if an amended tax return is required to be filed with the ATO. We have engaged a registered tax accountant to assist with our review. At this stage we are unable to quantify if there will be any income tax refund.

## **8. OFFENCES, VOIDABLE TRANSACTIONS AND INSOLVENT TRADING**

### **8.1. Offences**

Liquidators are required to investigate whether a past or present officer may have been guilty of an offence in relation to the company.

### **8.2. Voidable Transactions**

We are required to identify whether there are any transactions that appear to be voidable transactions in respect of money, property or other benefits which may be recoverable by a Liquidator under Part 5.7B of the Act.

To the extent that information has been made available, we have conducted the following preliminary investigations in relation to voidable transactions:

- reviewed the Company's books and records to determine whether there have been any unfair loans to or from the Company;
- reviewed the Company's books and records for the period approximately six months prior to the appointment of the Liquidators to determine whether any creditors have been preferred over the general body of creditors as a result of any transaction; and
- reviewed documentation provided to us by third parties.

A summary of the various transactions is set out below:

#### **a) Unfair Preferences - Section 588FA**

We have investigated the Companies' records during the relation back day period, being six months prior to the date of our appointment. Our preliminary review has identified a potential unfair preference received by DE & T for the amount of \$4.1m during the relation back day period.

The Company paid \$4.1m in VET FEE-HELP refunds to DE & T on 18 April 2017. Excluding the ACCC's contingent liability of \$70.0m, DE & T is the largest potential creditor of the Company, which may make it uncommercial to pursue DE & T (the Commonwealth) for this preference.

There are a range of defences that may be available to DE & T that would need to be considered and investigated prior to commencing any recovery action.

It is necessary to establish that the Company was insolvent at the time of the transaction and that the recipient had reasonable grounds for suspecting that the Company was insolvent at that time or would likely become insolvent.

Further investigations are required to determine whether DE & T were aware of the Company's financial position, and the commercial benefit in pursuing any potential claim.



**b) Uncommercial Transactions - Section 588FB**

Section 588FB of the Act provides for transactions that were not beneficial or were detrimental to the Companies as being void. The transaction must have occurred when the Companies was insolvent or would become insolvent.

Based on the Companies' books and records available to us the Company may have traded insolvently from as early as 31 December 2015, after the payment of the \$43m grossed-up dividend to Mr Yang. The Company may have been balance sheet insolvent from this date.

We have identified the following key transactions that maybe subject to this section of the Act.

- the \$1.0m paid to W & M in relation to the 7 February 2017 invoice for legal fees;
- the \$2.75m (GST inclusive) payment to NetiveEdu Pty Ltd in February and March 2016;
- \$449k in payments made of behalf of CEG, regarding rent and surrender of Bankstown Lease;
- the \$43.0m grossed up dividend declared on 31 December 2015, or part thereof.

We note this is not an exhaustive list, and we will likely add to the number and quantum of uncommercial transactions following the conduct of further investigations.

**c) Unfair Loans - Section 588FD**

Section 588FD of the Act provides for loans to be voided in circumstances where interest or charges are considered extortionate.

Based on the Company's books and records received, we have not identified any transactions that would be subject to this section of the Act.

**d) Unreasonable Director-Related Transactions - Section 588FDA**

Section 588FDA of the Act provides for transactions where it may be expected that a reasonable person in the Company's circumstances would not have entered into the transaction having regard to the benefits, detriments and respective benefits to other parties.

We have identified the following transactions that require further investigations, and may be subject to this section of the Act.

- lump-sum payments to W & M between 16 June 2016 to 7 February 2017 in the sum of \$2.75m;
- the payment of inter-company loans to AIH for \$700k, with no direct benefit to the Company;
- payment of "Other invoices" to PWC for \$224k, between 13 November 2015 and 29 April 2016;
- the payment of rental leases \$449k, and office fit-out costs of \$1.0m paid in FY16, on behalf of other related entities.

We note this is not an exhaustive list, and we will likely add to the number and quantum of unreasonable director related transactions following our further investigations.

**e) Related Party Transactions - Section 588FE(4)**

Section 588FE(4) of the Act provides for payments to related parties may be voided where the Companies were insolvent at the time of the transaction.

If the Company is deemed to be insolvent from as early as 31 December 2015, and the grossed-up dividend of \$43m, or part thereof, is void this will impact on the in-specie distribution to related parties. Resulting in intercompany receivables to the Company.

### **8.3. Insolvent Trading - Section 588G**

Section 588G of the Act provides that a company's director has a duty to protect the company from incurring debt when there are reasonable grounds for suspecting that the company will be unable to pay its debts as and when they fall due. Section 588M of the Act provides that a Liquidator is able to recover 'damages' from the director of an insolvent company, in an amount equal to the loss or damage suffered by the company as a result of a breach of duty.

Section 95A(1) of the Act provides a definition of a solvent entity as follows:

*"A person is Solvent if, and only if, the person is able to pay all of its debts, as and when they become due and payable"*

An insolvent entity is defined under Section 95A(2) of the Act as:

*"A person which is not Solvent is Insolvent"*

Applying the statutory definition of insolvent, we believe the Company was insolvent when the DE & T debt of \$10.0m became due and payable on 19 January 2017, however, may have been insolvent from as early as 31 December 2015.

When making our assessment of a company's insolvency we would also consider the many common law principles, some of which include:

- whether or not a company is insolvent for the purposes of the Act, ss95A, 459B, 588FC or 588G(1)(b) is a question of fact to be ascertained from the consideration of the company's financial position taken as a whole.
- in considering the company's financial position as a whole, the court must have regard to the commercial realities. Commercial realities will be relevant in considering what resources are available to the company to meet its liabilities as they fall due, whether the resources other than cash are realisable by sale or borrowing upon security, and when such realisation are achievable.
- The conclusion of insolvency ought to be clear from a consideration of the company's financial position in its entirety and generally speaking ought not to be drawn simply from evidence of temporary lack of liquidity. It is the company's inability, utilising such cash resources as he/she has or can command through the use of his/her assets, to meet his/her debts as they fall due which indicates insolvency.

The quantum of any claim is yet to be determined, although we note that the Company was not incurring significant liabilities from that date all debts incurred (principally legal fees, employee fees and director's fees) were paid prior to the appointment of a liquidator.

Further, the defences available to director pursuant to section 588FGB of the Act include:

- if it is provided that, at the payment time, the person had reasonable grounds to expect, and did expect, that the company was solvent at that time and would remain solvent if it made the payment;
- had reasonable grounds to believe, and did believe:
  - that a competent and reliable person (*the other person*) was responsible for providing to the first-mentioned person adequate information about whether the company was solvent; and
  - that the other person was fulfilling that responsibility;
- expectation of solvency on the basis of information provided to the first-mentioned person by the other person, that the company was solvent at that time and would remain solvent even if it made the payment;
- because of illness or for some other good reason, the person did not take part in the management of the company at the payment time; and
- the person took all reasonable steps to prevent the company from making the payment; or there were no such steps the person could have taken.

Further investigations are required to quantify any insolvent trading claim, and determine the commercial benefit in pursuing any insolvent trading claim against the Director, and any Shadow Director, for the benefit of creditors.

## 9. DIRECTORS PERSONAL FINANCIAL POSITION

Further investigations may be conducted into the prospects of a successful claim against the Director and the cost benefits of pursuing such an action.

In our opinion, the Company may have traded whilst insolvent from as earlier as 31 December 2015 and there may be a number of claims against the Director, and any Shadow Director.

The Director, and director related entities, may have significant property assets making it commercial to pursue claims against Mr Yang.

### 9.1. Breach of Directors' Duties

Sections 180 to 183 of the Act sets out duties and powers of directors and officers of a company to enable directors to act in the interest of the company. The duties include:

#### Section 180 – Care and Diligence

- The relevant person exercised a power and discharged their duties.

- The relevant person did not exercise the degree of care and diligence that a reasonable person would have exercised if they were a director or officer of a corporation in the corporation's circumstances and had the same position and responsibilities at the director and officer.

### **Section 181 – Good Faith**

- The relevant person exercised a power and discharged their duties
- The relevant person exercised their powers and discharged their duties in a manner that:
  - was not in good faith in the best interests of the corporation; or
  - was not for a proper purpose.

### **Section 182 – Use of Position**

- The director, officer or employee used their position or information gained from their position:
  - with the intention of gaining for themselves or someone else an advantage, or causing detriment to the corporation; or
  - recklessly as to whether they may gain an advantage for themselves or someone else, or cause detriment to the corporation.

### **Section 183 – Use of Information**

- A person who obtains information because they are, or have been, a director or other officer or employee of a corporation must not improperly use the information to:
  - gain an advantage for themselves or someone else; or
  - cause detriment to the corporation.

Based on the information currently available, we are of the opinion that the Director is in contravention of sections 180-183 of the Act.

## **10. INVESTIGATIONS ON \$43M DIVIDEND**

### **10.1. Dividend declaration and payment**

A \$30.5m dividend was declared to the sole shareholder, Mr Jim Yang, on 31 December 2015. With franking credits of \$13m, the grossed-up dividend amount is \$43.0m.

Payment of the dividend was made as follows:

- Jim Yang \$68,061 – offset against personal loan account;
- Jim Yang Nominees Pty Ltd \$1,200,000 – in-specie assignment of company receivable;
- Jim Yang Consultancy Pty Ltd \$29,047,086 – in-specie assignment of company receivable; and
- Cornerstone Education Group Pty Ltd \$139,404 – in-specie assignment of company receivable.

The dividend transaction was documented by way of a Deed between the Company and Mr Yang entered on 1 February 2016.

### **10.2. Timeline of events**

There are several key events around the 31 December 2015 dividend declaration date that require further investigations. These include:

- 17 December 2015 - the Court proceedings with the ACCC;
- 23 December 2015 - the Undertaking requested by AGS;
- 1 February 2016 - documentation of the dividend declaration;
- 19 February 2016 - Asset & Liability Statement prepared by PWC and provided to ACCC; and
- 23 February 2016 - Undertaking provided by Mr Yang and the Company to the ACCC.

Prior to the declaration of the dividend on 31 December 2015, we understand that PWC met with Mr Yang on 29 October 2015, and were later engaged as the registered tax agent on 23 November 2015.

Further investigations are required into PWC's role and responsibility in overseeing the \$30.5m dividend to Mr Yang.

### **10.3. Regulations - section 254T of the Act**

Section 254T of the Act states:

*(1) A company must not pay a dividend unless:*

*(a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; and*

*(b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and*

*(c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.*

### **10.4. Application of regulation - section 254T of the Act**

On review of Section 254T of the Act, the Company's records and the RATA, we provide the following commentary.

- a) According to Xero, the Company's accounting software, as at 31 December 2015 the Company's assets exceeded its liabilities immediately before the dividend was declared, with net assets of \$27.7m. However, the excess of net assets \$27.7m is insufficient for the payment of a \$30.5m dividend.
- b) Mr Yang was the sole shareholder of the Company, holding all 18,000 ordinary shares. Accordingly, from the perspective of a shareholder, the payment of the dividend to Mr Yang is fair and reasonable to the Company's shareholders as a whole.
- c) To assess whether the Dividend materially impacted on the Company's ability to pay creditors we reviewed the RATA as at 30 April 2017, which had a net asset deficiency of \$6.1m.

The RATA deficiency includes the DE & T's unsecured creditor claim for \$5.9m, but excludes the DE & T's contingent claim of \$19.5m and the ACCC's contingent claim of \$70.0m. The payment of the dividend appears to have materially prejudice the Company's ability to pay its creditors.

## 11. AUSTRALIAN INSTITUTE OF HIGHER EDUCATION PTY LIMITED

According to an ASIC company search, AIH was registered on 29 November 2005.

AIH was registered as a higher education provider in 2009 and is a registered non-self accrediting institution in NSW. AIH commenced delivery of Bachelor of Accounting and Bachelor of Business in 2010, and Bachelor of Business Information Systems in 2014.

ASIC records indicate the current and former principal place of business for AIH was:

Principal place of business	From	To
Level 3, 127 Liverpool Street, Sydney NSW 2000	9/11/2005	9/04/2007
Level 8, 815-825 George Street, Sydney NSW 2000	10/04/2007	1/08/2010
Level 4, 451 Pitt Street, Sydney NSW 2000	2/08/2010	19/07/2017
Level 3, 545-553 Kent Street, Sydney NSW 2000	20/07/2017	Current

### 451 Pitt Street, Sydney

Around June 2010, AIH opened its campus on Pitt Street in Sydney. Jim Yang Nominees Pty Ltd owned Level 4 and Level 7, 451 Pitt Street, Sydney.

During the financial year ending 30 June 2016, the Company was invoiced and paid over \$1.0m for the fit-out of Level 7, 451 Pitt Street, Sydney. We are unaware of any commercial benefit the Company received for funding the fit-out.

### AIH Loan \$700k

On 15 December 2015, \$700k was transferred from the Company to AIH as a loan. The loan was repaid in full on 19 August 2016. We understand this loan was established to support AIH's cash position for an application to TESQA.

## 12. PUBLIC EXAMINATIONS - FUNDING REQUEST

### 12.1. Background

As outlined in this report, there are several transactions and dealings which require public examinations to assist with our investigations, and may lead to potential asset recoveries of up to \$18.9m. Public examinations are required to further investigations and confirm these claims.

### 12.2. Further investigations, litigation and potential recovery action

The estimated costs to prepare for, and conduct public examinations on the director, and certain individuals are estimated to be approximately \$450k. This estimate is for legal fees (\$300k) and liquidators' future remuneration (\$150k) for the public examination process.

We invite creditors the opportunity to fund the examinations to maximise the potential returns to creditors. Any funding provided can be afforded priority in the distribution of the liquidation with the approval of the court or creditors. If you are interested, please contact Angelo Cadiz of our office by email [acadiz@hogansprowles.com.au](mailto:acadiz@hogansprowles.com.au) or by telephone (02) 8020 5856 to register your interest in funding further investigations and recovery action.

In the event creditors do not fund the public examination, the Liquidators intend to seek funding from alternative sources, such as ASIC or a litigation funder.

### 13. LIQUIDATORS' RECEIPTS AND PAYMENTS

A summary of our receipts and payments from 26 April 2017 to 19 January 2018 is below:

**Receipts & Payments**  
**26/04/17 to 19/01/18**  
(All figures below include GST)

<b>Receipts</b>	<b>Notes</b>	<b>\$</b>
Preappointment GST refund	13.1	90,578
Cash on Hand		101
Cash at Bank	13.2	220,707
Plant & Equipment	13.2	8,541
Debtors (Auscert Business Services)	13.2	72,000
GST Clearing Account	13.1	200,678
<b>Total</b>		<b>592,605</b>

<b>Payments</b>		
Agents/Valuers Fees (1)		880
Bank Charges		41
Legal Fees (1)		135,824
Liquidators Remuneration	13.3	44,000
Liquidators Expenses		12,696
IT Fees	13.4	18,002
<b>Total</b>		<b>211,442</b>

**Balance of Funds, comprised as follows:**

NAB Liquidator Account	231,163
St George Term Deposit	150,000
<b>Total Cash at Bank</b>	<b>381,163</b>

We make the following comments in relation to the liquidators' receipts and payments

#### 13.1 GST Refunds

A schedule of GST refunds received from the ATO since the date of our appointment is below:

<b>Period</b>	<b>Category</b>	<b>Refund (\$)</b>
March 2017	Pre-appointment	90,578
June 2017	GST Clearing	7,672
September 2017	GST Clearing	4,611
Various revised BAS	GST Clearing	188,394

The March 2017 Business Activity Statement was lodged by the Company's internal accountant, Mylah Amboang shortly following our appointment with refund of \$90.6k received.

Following our appointment, we received invoices from W & M which had not been provided to the Company and were not claimed in their respective BAS lodgements. We have amended and relogged the BASs with the net impact of the lodgements being an additional refund of \$188.4k.

### 13.2 Other Receipts

Refer to section 5 for details in relation to these receipts.

### 13.3 Liquidators' Remuneration

Refer to section 15.1 below.

### 13.4 IT Fees

IT fees relate to payments made to MBJ Technologies, Celox and Websutra during the liquidator period for the provision of the following services:

- IT consulting to understand data servers;
- Forensic backup of computers secured from the premises;
- Backup of data servers;
- Email recovery and disabling of accounts;
- Secure data wipe of computers for auction; and
- Cloud server hosting fees

## 14. MEETING OF CREDITORS

The Meeting of Creditors is to be held at the offices of **HoganSprowles, Level 9, 60 Pitt Street, Sydney NSW 2000 on Thursday, 15 February 2018 at 11:00am.**

The purpose of the Meeting of Creditors is to discuss the Company's affairs, provide an update on investigations, and consider the Liquidators remuneration and disbursements.

In respect of the meeting please find enclosed the following at **Appendix A:**

- Form 529 – Notice of Meeting and Agenda;
- Form 532 – Appointment of Proxy; and
- Informal Proof of Debt Form for voting purposes only.

In order to receive this report and any future reports and/or notices via email or facsimile, rather than by regular post, please provide your contact details on the Informal Proof of Debt from enclosed herein.



## 15. LIQUIDATORS' FEES

We provide the following update on the Liquidators' remuneration for your information.

### 15.1. Approved remuneration – 26 April 2017 to 5 May 2017 (\$40k)

The liquidators' remuneration of \$40k plus GST for the period 26 April 2017 to 5 May 2017 has been paid, which was approved at the meeting of creditors on 5 May 2017. Liquidators disbursements and expenses of \$167k have been drawn for the period of our appointment.

### 15.2. Current remuneration – 6 May 2017 to 22 January 2018 (\$336k)

At the meeting of creditors to be held on 15 February 2018 at 11:00am the Liquidators will seek creditor approval for the fee's set out in the remuneration report, which is attached as **Appendix B**.

At the meeting, creditors will be asked to consider the following resolutions:

*"That the remuneration of the Liquidators, as set out in the Liquidators' remuneration report, for the period 6 May 2017 to 22 January 2018, in accordance with the applicable time costs charged by HoganSprowles for work of this nature be approved in the sum of \$335,980 plus any applicable GST and that the Liquidators be authorised to pay the remuneration."*

*"That the disbursements of the Liquidators, as set out in the Liquidators' remuneration report, for the period from 6 May 2017 to 22 January 2018, in accordance with the applicable time costs charged by HoganSprowles for work of this nature, be approved in the sum of \$2,668.89 plus any applicable GST and that the Liquidators be authorised to pay the disbursements."*

A copy of the information sheet 'Approving Fees: a guide for creditors' can be found on the ASIC website at [www.asic.gov.au](http://www.asic.gov.au).

In the event the Liquidators' remuneration is not approved at the creditors meeting, the Liquidators may seek Court approval of their remuneration.

### 15.3. Future remuneration – 20 January 2018 to 12 July 2018 (\$150k)

Approval of the Liquidators' future fees will be sought in accordance with the remuneration report attached as **Appendix C**. A summary of the tasks to be completed by the Liquidators and their staff in the conduct of the liquidation for the period 23 January 2018 to 12 July 2018 is also outlined in the **Remuneration Report**

At the meeting, creditors will also be asked to consider the following resolutions:

*"That the future remuneration of the Liquidators, as set out in the Liquidators' remuneration report, for the period 23 January 2018 to 12 July 2018, is charged in accordance with the hourly rates of HoganSprowles as at 1 April 2017 (as amended from year to year, by a maximum of 10%) and be fixed at \$150,000 plus GST and that the Liquidators be authorised to make payment on account as required."*

*“That the disbursements of the Liquidators, as set out in the Liquidators’ remuneration report, for the period 20 January 2018 to 12 July 2018, is charged in accordance with the hourly rates of HoganSprowles as at 1 April 2017 (as amended from year to year, by a maximum of 10%) and be fixed at \$2,500 plus GST and that the Liquidators be authorised to make payment on account as required.”*

The report to creditors will include a notice of meeting of creditors, where we intend to seek creditors approval of the Liquidators remuneration.

DATED this **23 January 2018**



**Michael Hogan**  
Joint and Several Liquidator

## Appendix

# A

*CORPORATIONS ACT 2001*

Insolvency Practice Rules (Corporations)  
Division 75, 75-10, 75-15, 75-25, 75-75

NOTICE OF SECOND MEETING OF CREDITORS

**Cornerstone Investment Aust Pty Limited (In Liquidation)**  
**ACN 082 383 640**  
**Trading as Empower Institute**  
**Trading as Australian Institute of Commerce & Language**  
**("the Company")**

NOTICE IS GIVEN that a meeting of the Company's creditors will be held at the offices of **HoganSprowles, Level 9, 60 Pitt Street, Sydney NSW 2000** on **15 February 2018** at **11:00am**.

**AGENDA**

The purpose of the meeting is:

1. To review the Liquidators' Report to Creditors concerning the company's business, property, affairs and financial circumstances.
2. To fix the remuneration and disbursements of the Joint and Several Liquidators as required.
3. To consider any other business that may be lawfully brought forward.

Attendance at this meeting is not compulsory. Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with the Appointment of Proxy Form.

Proxies to be used at the meeting should be given to me as Joint and Several Liquidators or to the person named as convening the meeting. A creditor can only be represented by proxy or by an attorney pursuant to Insolvency Practice Rules section 75-150 & 75-155 and if a body corporate by a representative appointed pursuant to Section 250D.

Creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Company in accordance with Insolvency Practice Rules section 75-85 and that claim has been admitted for voting purposes wholly or in part by the Joint and Several Liquidators.

Pursuant to Insolvency Practice Rules 75-25 and 75-150 a special proxy can be lodged showing approval or rejection of each resolution. Proxy forms or emails thereof must be lodged with our office by 4.00pm on the day prior to the meeting. Where an email copy of a proxy is sent, the original must be lodged with our office within 72 hours after receipt of the email. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, prior to the commencement of the meeting.

### Telephone Conference Facilities

Creditors or members wishing to attend by telephone are advised they can utilise the following conference facility:

Telephone Number: (02) 8077 0507  
Password: 939227

Pursuant to Insolvency Practice Rule 75-75, creditors or members wishing to participate in the meeting by telephone must return to the convenor of the meeting not later than the second last working day before the day of the meeting, a written statement setting out the name of the person and of the proxy or attorney, (if any), an address to which notices to the person, proxy or attorney may be sent, a telephone number at which the person, proxy or attorney may be contacted and any facsimile number to which notices to the person, proxy or attorney may be sent. A person, or the proxy or attorney of a person who participates in the meeting by telephone, must pay any costs incurred in participating and is not entitled to be reimbursed for those costs from the assets of the company.

DATED this 23<sup>rd</sup> day of January 2018.



Michael Hogan  
**Joint and Several Liquidator**

HoganSprowles Pty Ltd, Level 9, 60 Pitt Street, Sydney NSW 2000  
Telephone: (02) 8020 5850

**INFORMAL PROOF OF DEBT FORM**

Regulation 5.6.47

**Cornerstone Investments Aust Pty Limited (In Liquidation)  
A.C.N. 082 383 640**

Name of creditor:

Amount of debt claimed:

(see note)

Consideration for debt:

Whether debt secured or unsecured:

If secured, give details of security including dates, etc:

Balance, if any, after deducting value of security (see note):

.....  
Creditor (or person authorised by creditor)

NOTE:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his claim has been admitted, wholly or in part, by the Administrators; or
- b. he has lodged with the Administrators particulars of the debt or claim, or if required, a formal proof of debt.

For the purposes of Part 5.3A, a secured creditor may vote (Regulation 5.6.24):

- a. for the whole of his debt without regard to the estimated value of his security.

Proxies must be made available to the Administrators

FORM 532

Regulation 5.6.29

Corporations Act 2001

APPOINTMENT OF PROXY

**Cornerstone Investment Aust Pty Limited (In Liquidation)**  
**A.C.N. 082 383 640**

I/We<sup>1</sup> \_\_\_\_\_

of \_\_\_\_\_

a creditor of

**Cornerstone Investment Aust Pty Ltd,**

appoint<sup>2</sup> \_\_\_\_\_

or in his/her absence \_\_\_\_\_

as \*my/our \*general/special proxy<sup>3</sup> to vote at the meeting of creditors to be held on 15 February 2018 at 11:00am, or at any adjournment of that meeting, to vote:

a) on all matters arising at the meeting; **OR**

b) on each of the following resolutions in the manner specified:

		For	Against	Abstain
i)	That the remuneration of the Liquidators, as set out in the Liquidators' remuneration report, for the period 6 May 2017 to 22 January 2018, in accordance with the applicable time costs charged by HoganSprowles for work of this nature be approved in the sum of \$335,980 plus any applicable GST and that the Liquidators be authorised to pay the remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ii)	That the disbursements of the Liquidators, as set out in the Liquidators' remuneration report, for the period from 6 May 2017 to 22 January 2018, in accordance with the applicable time costs charged by HoganSprowles for work of this nature, be approved in the sum of \$2,668.89 plus any applicable GST and that the Liquidators be authorised to pay the disbursements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iii)	That the future remuneration of the Liquidators, as set out in the Liquidators' remuneration report, for the period 23 January 2018 to 12 July 2018, is charged in accordance with the hourly rates of HoganSprowles as at 1 April 2017 (as amended from year to year, by a maximum of 10%) and be fixed at \$150,000 plus GST and that the Liquidators be authorised to make payment on account as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>1</sup> If a firm, strike out "I" and set out the full name of the firm.

<sup>2</sup> Insert the name, address and description of the person appointed.

<sup>3</sup> If a special proxy, add the words "to vote for" or the words "to vote against" and specify the particular resolution.

- iv) That the disbursements of the Liquidators, as set out in the Liquidators' remuneration report, for the period 23 January 2018 to 12 July 2018, is charged in accordance with the hourly rates of HoganSprowles as at 1 April 2017 (as amended from year to year, by a maximum of 10%) and be fixed at \$2,500 plus GST and that the Liquidators be authorised to make payment on account as required.

DATED this 2018

.....  
Signature<sup>4</sup>

CERTIFICATE OF WITNESS <sup>5</sup>		
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 or her before he or she signed or marked the instrument.		
DATED this	_____ day of _____	2018
Signature of Witness	_____	
Description	_____	
Place of Residence	_____	

<sup>4</sup> The signature of the creditor is not to be attested by the person nominated as proxy.

<sup>5</sup> This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.



## Appendix

# C

## Administrators' Remuneration Report

### REMUNERATION REPORT

#### Part 1: Declaration

We, Christian Sprowles and Michael Hogan of HoganSprowles Pty Ltd, have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Liquidators of Cornerstone Investment Aust Pty Limited (In Liquidation) ("the Company") 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 Liquidation.

#### Part 2: Executive Summary

To date, remuneration for the period 26 April 2017 to 5 May 2017 of \$40,000 plus GST, has been approved at the meeting of creditors on 5 May 2017, and paid.

This remuneration report details approval sought for the following fees:

	Amount (ex GST)
Liquidation (current) - 6 May 2017 to 22 January 2018 – Actual	\$335,980
Liquidation (future) - 23 January 2018 to 12 July 2018 - Estimated	\$150,000

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

#### Part 3: Description of Work Completed

Liquidators' remuneration for the period 6 May 2017 to 19 January 2018.

Task Area	General Description	Includes
Assets [8 hours] [\$3,018]	Stock	Reviewing and following up outstanding debtors
	Other Assets	Sale of property plant and equipment Liaising with auctioneers and valuers Reviewing valuation reports
	Assets subject to a specific charge	Reviewing leasing documents Liaising with lessors/owners Tasks associated with disclaiming leases
Creditors [174 hours] [\$58,422]	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditors Reports	Prepare second report to creditors outlining investigations

Task Area	General Description	Includes
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>Receipting and filing POD's when not related to a dividend</li> <li>Corresponding with OSR and ATO regarding POD's when not related to a dividend</li> </ul>
Investigation [657 hours] [\$246,561]	Conducting investigation	<ul style="list-style-type: none"> <li>Reviewing emails of key employees</li> <li>Collection of company books and records</li> <li>Correspondence with director to complete Report as to Affairs and questionnaire</li> <li>Reviewing company's books and records</li> <li>Review and preparation of company nature and history</li> <li>Conducting and summarising statutory searches</li> <li>Preparation of comparative financial statements</li> <li>Reconstructing cashbook</li> <li>Preparation of deficiency statement</li> <li>Review of specific transactions and liaising with directors regarding certain transactions</li> <li>Liaising with directors regarding certain transactions</li> <li>Preparation of investigation file</li> <li>Identifying voidable transactions</li> <li>Meeting with relevant parties</li> <li>Lodgement of investigation with the ASIC</li> </ul>
	Litigation / Recoveries	Liaising with solicitors regarding recovery actions
	ASIC reporting	<ul style="list-style-type: none"> <li>Preparing statutory investigation reports</li> <li>Preparing affidavits seeking non-lodgements assistance</li> <li>Liaising with ASIC</li> </ul>
	Correspondence	With various stakeholders
Administration [100 hours] [\$27,979]	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>First month, then six monthly administration review</li> <li>Filing of documents</li> <li>File reviews</li> <li>Updating checklists</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>Identification of potential issues requiring attention of insurance specialists</li> <li>Correspondence with insurer regarding initial and ongoing insurance requirements</li> <li>Reviewing insurance policies</li> <li>Correspondence with previous brokers</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Preparing correspondence opening and closing accounts</li> <li>Requesting bank statements</li> <li>Bank account reconciliations</li> <li>Correspondence with bank regarding specific transfers and term deposits</li> </ul>

	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 524, 911, 5011 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Completing ATO audit Preparing BAS Relodging pre-appointment BAS
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

#### Part 4: Description of Works to be Completed

Estimated Liquidators' remuneration for the period 23 January 2018 to 12 July 2018.

Task Area	General Description	Includes
Assets [12 hours] [\$4,135]	Debtors	Reviewing and following up outstanding debtors
	Other Assets	Sale of property plant and equipment
Creditors [41 hours] [\$15,225]	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members Dealing with employees Review employee entitlements
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting

Task Area	General Description	Includes
Investigation [334 hours] [\$123,510]	Conducting investigation	Collection of company books and records Reviewing company's books and records Review of specific transactions and liaising with directors and other parties regarding certain transactions Liaising with directors regarding certain transactions Investigations of voidable transactions Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required
	Litigation / Recoveries	Internal meetings to discuss status of litigation Preparing brief to solicitors Attending and preparing for public examinations Liaising with solicitors regarding recovery actions Attending to negotiations
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
Administration [26 hours] [\$7,130]	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Bank account administration	Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 524, 911, 5011 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS' Completing group certificates
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

We note the quote provided on the original circular to creditors dated 26 April 2017 estimated fees was in the vicinity of \$40,000 (excluding GST) for the liquidation period. During the Liquidation, we have incurred costs totalling \$373,180 plus GST.

Our time costs incurred during the Liquidation period was underestimated as we did not anticipate the following:

- Extensive time to conduct thorough investigations on key transactions and dealings, which included reviewing the Company's Xero accounting system, reviewing an extensive number of emails between Company staff and third parties;
- Investigations around the transactions that were incurred around the time of the Undertaking request and the Undertaking Period. Extensive time to investigate the transactions and movement in assets during the Undertaking Period;
- Investigating payments to Company advisors, in particular, the legal fees paid to W & M;
- Investigating the circumstances around the payment of the \$30.5m dividend, revenue recognised in December 2015, and the role of Company Advisors, in particular PWC. Reviewing email correspondence between the Company, Company Advisors and PWC regarding same;
- Dealings with related parties and understanding commercial benefits of key transactions made on behalf of the Company;
- Investigating the circumstances and timing of the Student Online Learning Platform, and reviewing email correspondence regarding same;
- Reviewing the role of Auxano, presentations to management, remuneration paid and email correspondence regarding same.
- General lack of co-operation from the Company's director and Company advisors to explain key transactions and dealings; and
- Delayed receipt of the Report as to Affairs from Mr Yang – requested in April 2017 and not received until 23 November 2017.

As further investigations and asset recoveries are expected, we anticipate the realisable assets of the Company will be sufficient to cover the costs of the Liquidation.

#### **Part 5: Calculation of Remuneration**

See attached schedules setting out the Calculation of Actual Remuneration for the period 6 May 2017 to 22 January 2018 and Calculation of Estimated Remuneration for the periods 23 January 2018 to 12 July 2018.

See attached hourly rates utilised by HoganSprowles Pty Ltd as at 1 April 2017.

#### **Part 6: Statement on Remuneration**

At the forthcoming meeting of creditors to be held on 15 February 2018, creditors will be asked to approve the following resolutions:

*"That the remuneration of the Liquidators, as set out in the Liquidators' remuneration report, for the period 6 May 2017 to 22 January 2018, in accordance with the applicable time costs charged by HoganSprowles for work of this nature be approved in the sum of*

*“\$335,980 plus any applicable GST and that the Liquidators be authorised to pay the remuneration.”*

And

*“That the future remuneration of the Liquidators, as set out in the Liquidators’ remuneration report, for the period 23 January 2018 to 12 July 2018, is charged in accordance with the hourly rates of HoganSprowles as at 1 April 2017 (as amended from year to year, by a maximum of 10%) and be fixed at \$150,000 plus GST and that the Liquidators be authorised to make payment on account as required.”*

#### **Part 7: Report on External Administration**

Please see attached Liquidators’ Report to Creditors dated 23 January 2018.

#### **Part 8: Disbursements**

Disbursements are divided into three types:

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

We are not required to seek creditor approval for disbursements, but must account to creditors. Details of the basis of recovering internal disbursements in this administration are provided below. Full details of any actual costs incurred will be provided with future reporting.

We have undertaken a proper assessment of disbursements which may be claimed for the Company over the course of the Liquidation, in accordance with the law and applicable professional standards.

Disbursements	Rate (Excl GST)
Advertising	At Cost
Search fees	At Cost
Courier	At Cost
Printing, Faxes & Photocopies	\$0.20 per page
Postage	At Cost
Storage	At Cost
Telephone call	No Charge
Travel; Staff by own vehicle	\$0.66 per km
Other	At Cost

## **Part 9: Summary of Receipts and Payments**

Please see section 14 of the Liquidators' Report to Creditors setting out the receipts and payments for the period 26 April 2017 to 22 January 2018.

### **Information Sheet**

Creditors may access the remuneration information sheet (ASIC Information Sheet 85 – Approving fees: a guide for creditors) at ASIC's website. Creditors have the right to request and obtain further information from the External Administrator.

<http://www.asic.gov.au/regulatory-resources/insolvency/insolvency-for-creditors/approving-fees-a-guide-for-creditors/>



# hogan sprowles

Schedule of rates as @ 1 April 2017

Private & Confidential

Title	Description	Hourly rate (Excl. GST) (\$)
Partner	Registered liquidator, Chartered Accountant, degree qualified with more than fifteen years of extensive experience in insolvency, restructuring and business advisory matters. experience. Leads engagements with full accountability for strategy and execution.	495
Director	Generally Chartered Accountant and degree qualified with more than ten years of experience. Extensive experience in managing large, complex engagements at a senior level. Autonomously leads complex insolvency appointments reporting to Partner.	445
Senior Manager	Generally Chartered Accountant and degree qualified with more than seven years of experience. Significant experience across all types of engagements. Self-sufficiently conducts small to medium insolvency appointments.	390
Manager	Generally Chartered Accountant and degree qualified with more than five years of experience. Experience in complex matters, day to day conduct of small to medium engagements. Assists senior staff on complex matters.	350
Supervisor	Generally Chartered Accountant and degree qualified with more than three years of experience. Assists senior staff in planning and conduct of small to large engagements. Supervise a small team and control small engagements.	330
Senior Analyst 1	Generally degree qualified and undertaking Chartered Accountant's qualification. Controls certain tasks on small engagements and assists staff with completing tasks on medium to large engagements.	290
Senior Analyst 2	Experienced graduate controlling certain tasks on small engagements. Assists senior staff in completing tasks on small to large engagements.	280
Analyst 1	Experienced graduate. Required to assists senior staff in completing tasks on small to large engagements.	240
Analyst 2	Generally a university graduate with appropriate qualifications. Assists with day to day tasks under the supervision of senior staff.	180
Graduate	Generally degree qualified and undertaking or about to undertake Chartered Accountant's qualification with less than one year of experience. Assists with day to day tasks under the supervision of senior staff.	165
Undergraduate	Undertaking relevant degree. Assists with tasks within workstreams and appointments under supervision.	150
Senior Bookkeeper	Experienced bookkeeper with more than 18 months experience. Assist senior staff with accounting functions of engagement.	150
Bookkeeper	Assist senior staff with accounting functions of engagement.	140
PA	Appropriate skills and experience to support professional staff in an administrative capacity.	120
Administration	Appropriate skills and experience to support professional staff in an administrative capacity.	95

ACTUAL HOURS INCURRED BY THE LIQUIDATORS FOR THE PERIOD 6 MAY 2017 TO 22 JANUARY 2018

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area							
					Assets hrs	Creditors hrs	Investigation hrs	Administration hrs	Assets \$	Creditors \$	Investigation \$	Administration \$
Christian Sprowles	Partner	495.0	17.8	8,795	0	0	17,768	0	8,795	0	0	0
Michael Hogan	Partner	495.0	271.2	134,246	3.8	1,881	20,147	203.05	100,512	23.65	11,707	0
Andrew McCabe	Director	445.0	228.8	101,794	0.9	401	13,795	190,751	84,884	6.1	2,715	0
Anthony McDonald	Director	445.0	12.4	5,496	0	0	890	9.1	4,050	1.25	556	0
Anny Ngo	Manager	350.0	6.2	2,171	0.7	245	70	4,104,287	1,436	1.2	420	0
Lenore Lindsay	Senior	280.0	10.0	2,800	0	0	0	0	0	10	2,800	0
Angelo Cadiz	Analyst	240.0	244.5	58,680	0.8	192	22,272	138.2	33,168	12.7	3,048	0
Angelo Cadiz	Graduate	165.0	80.5	13,285	1.817	300	1,188	53.6	8,844	17.9	2,954	0
Natale Rull	PA	120.0	48.1	5,772	0	0	60	37.6	4,512	10	1,200	0
John Kazal	Undergraduate	150.0	19.6	2,940	0	0	0	2.4	360	17.2	2,580	0
Total			939.0	335,980	8.0	3,018	58,422	657	246,561	100	27,979	0
GST				33,598								
Total (Incl GST)				369,578								
Average hourly rate				358								

ESTIMATED HOURS TO BE INCURRED BY THE LIQUIDATORS FOR THE PERIOD 23 JANUARY 2018 TO 12 JULY 2018

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area							
					Assets hrs	Creditors hrs	Investigation hrs	Administration hrs	Assets \$	Creditors \$	Investigation \$	Administration \$
Christian Sprowles	Partner	495.0	42.0	20,790	0	0	2,475	37	18,315	0	0	0
Michael Hogan	Partner	495.0	82.0	40,590	2	990	4,950	68	33,660	2	990	0
Andrew McCabe	Director	445.0	90.0	40,050	4	1,780	3,560	75	33,375	3	1,335	0
Anthony McDonald	Director	445.0	5.0	2,225	0	0	0	5	2,225	0	0	0
Anny Ngo	Manager	350.0	36.0	12,600	0	0	700	30	10,500	4	1,400	0
Angelo Cadiz	Analyst	240.0	99.0	23,760	5	1,200	2,880	74	17,760	8	1,920	0
Jonas Wu	Graduate	165.0	61.0	10,065	1	165	660	47	7,755	9	1,485	0
Total			415.0	150,080	12.0	4,135	15,225	336	123,590	26	7,130	0
But Say				150,000								
GST				15,000								
Total (Incl GST)				165,000								
Average hourly rate				362								