



Wooldridges Australia Pty Ltd ACN 128 219 198
Wooldridges NSW Pty Ltd ACN 132 622 130
World of Education Pty Ltd ACN 135 503 472
Education Works Pty Ltd ACN 127 156 058
Education Works Australia Pty Ltd ACN 127 156 236
Jacaranda Educational Supplies Pty Ltd ACN 132 367 483
Wooldridges Victoria Pty Ltd ACN 132 622 050
(All in Liquidation)(Collectively "the Companies")

Annual Report to Creditors for the period 29 August 2013 to 28 August 2014 ("the Period")

26 November 2014

Andrew Sallway

Joint & several liquidator

T +61 2 8297 2532

E andrew.sallway@au.gt.com

Lisa Gibb

Manager

T +61 2 8297 2411

E lisa.gibb@au.gt.com

Glossary

ASIC	Australian Securities Investment Commission	Wooldridges	Wooldridges Australia Pty Ltd
Bank	National Australia Bank	Wooldridges NSW	Wooldridges NSW Pty Ltd
Companies	Wooldridges Australia Pty Ltd; Wooldridges NSW Pty Ltd; World of Education Pty Ltd; Education Works Pty Ltd; Education Works Australia Pty Ltd; Jacaranda Educational Supplies Pty Ltd; and Wooldridges Victoria Pty Ltd	Wooldridges Vic	Wooldridges Victoria Pty Ltd
Committee	Committee of Inspection – Wooldridges Australia Pty Ltd	World of Education	World Of Education Pty Ltd
Director	Mr Paul Riley, Statutory Director of all Companies		
Education Works	Education Works Pty Ltd		
Education Works Aus	Education Works Australia Pty Ltd		
Elizabeth Richards	Elizabeth Richards Pty Ltd		
Fotoworks	Fotoworks School Portraits Pty Ltd		
Fulcrum	Fulcrum Partners Limited		
GEERS	Government Employee Entitlements Scheme		
Group	Education Works Pty Limited and its subsidiary undertakings		
Jacaranda	Jacaranda Educational Supplies Pty Ltd		
NAB	National Australia Bank		
Period	29 August 2013 to 28 August 2014		
The Act	The Corporations Act 2001		

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Section 1 Introduction

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Introduction

Appointment

- Matthew Donnelly, Said Jahani and Andrew Sallway were appointed Joint and Several Administrators of the Companies on 25 July 2012.
- At the second meeting of creditors on 29 August 2012, creditors resolved that the Companies be placed into Liquidation and Matthew Donnelly, Said Jahani and Andrew Sallway be appointed Joint and Several Liquidators.

Reports in lieu of Creditors Meetings

- Under Section 545 (1) of the Corporations Act 2001 ("the Act"), the Liquidators are required to either hold an annual general meeting ("AGM") for the Companies or issue creditors with a report for the Period (a copy of which has to be lodged with ASIC), within 3 months of the anniversary of the commencement of the winding up.
- It is the Liquidators' opinion that there would be no benefit to creditors in holding an AGM and as such no AGM will be held for the Companies.

Committee of Inspection – Wooldridges Australia

- During the Period, the Liquidators have liaised with the Committee regarding the outstanding employee entitlements, potential rights of actions by the Liquidators and the Liquidators' remuneration.
- The members of the Committee are:
 - Yvonne Atkinson representing Gr8 Setup Pty Ltd;
 - Salvatore Pepe representing himself; and
 - Brian McGuinness representing RIC Publications Pty Ltd.

- Formal Committee meetings for Wooldridges Australia were held on 11 December 2013 and 13 November 2014. A copy of the minutes of the Committee meeting can be obtained from Grant Thornton free of charge on request.
- There was no Committee formed for any other entity in the Group.

Deregistration

- On 27 November 2013 and 28 November 2013, the Liquidators resigned as Liquidators of Fotoworks School Portraits Pty Ltd and Elizabeth Richards Pty Ltd, respectively.

Finalisation

- The Liquidators estimate that, subject to approval from ASIC, the Liquidations of the Companies will be finalised by July 2015, being the third anniversary of the commencement of the Voluntary Administrations, subject to approval from ASIC.

Section 2 Liquidators' rights of action

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Unfair Preference Payments

Unfair preference payments overview

- Unfair preference payments are recoverable under Section 588FA of the Act if the payments were made during the relation back period (26 January 2012 to 25 July 2012).
- To constitute an unfair preference payment, it must be proven that the company was insolvent at the time of the payment and that the creditor had a suspicion or ought to have had a suspicion that the company was insolvent.
- The Liquidators have identified unfair preference payments made by Wooldridges Australia and World of Education.

Unfair preference payments identified – Wooldridges Australia

- During October 2014, the Liquidators issued demands to 13 creditors (total value c.\$1.2m) with respect to unfair preference payments that were made by Wooldridges Australia in the six (6) month period prior to the Voluntary Administration.
- To date the Liquidators have only received responses from 4 creditors and as such a further demand has been issued to the remaining 9 creditors. If the amounts demanded are not repaid by the remaining 9 creditors prior to 26 November 2014, it is the Liquidators intention to immediately commence legal action for the recovery of the unfair preference payments.

Unfair preference payments identified – World of Education

- The Liquidators have identified that an unfair preference payment of \$200k was made by the World of Education to the ATO in the month prior to the Voluntary Administrators appointment.
- The Liquidators have submitted the relevant claim form to the ATO for repayment of the unfair preference payment and are awaiting a response.

Uncommercial transactions

Uncommercial transactions

- Section 588FB(1) of the Act defines an uncommercial transaction as “ a transaction of the company if, and only if, 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 (if any) to the company of entering into the transaction;
 - The detriment to the company of entering into the transaction; and
 - The respective benefits to other parties to the transaction.”
- Section 588FC of the Act defines an insolvent transaction as one which is an uncommercial transaction and entered into when the company was insolvent at the time of the transaction, or would become insolvent as a result of entering into the transaction.
- The Liquidators have identified an uncommercial transaction between Fulcrum and Wooldridges Australia, which is discussed opposite.

Payments made to Fulcrum – Wooldridges Australia

- As discussed in the last annual report, it was brought to the Liquidators' attention that during February and March 2012, a total of \$1.9m was paid by Wooldridges Australia to Fulcrum Capital Partners (“Fulcrum”) (the ultimate shareholder of the Education Works Group).
- The \$1.9m payment was in relation to the repayment of an unsecured loan and repayment of various expenses paid by Fulcrum on behalf of Wooldridges Australia.
- Given Wooldridges Australia's financial circumstances at the time of these payments and Fulcrum's knowledge of the cash flow difficulties being experienced by Wooldridges Australia, it was the Liquidators' opinion that these payments held the characteristics of both an uncommercial transaction and an unfair preference payment. This transaction was referred to the Liquidators' solicitors for further legal advice including the chances of success in pursuing an action for the repayment of the \$1.9m.
- Due to the commercially sensitive nature of the legal advice received and to ensure that the Liquidators do not waive legal privilege, the Liquidators cannot provide any further information to creditors at present as to the current status of the action other than to advise that they are following the legal advice received.
- A further update on this matter will be provided in due course.

Insolvent Trading

Overview

- It is the Liquidators' opinion that certain Companies traded whilst insolvent since at least February 2012. Quantifying an insolvent trading claim is complex and also likely to be expensive, however having regard to the level of debts incurred, we are of the view that such a claim would not be insignificant.
- In the event of a successful claim against the Director for insolvent trading, the Director may be ordered by the Court to compensate the creditors for the loss arising from incurring debts whilst the Companies were insolvent. The proceeds from any such recovery would be available in the liquidation to be on a shared *pari passu* basis amongst all admitted creditors.
- As detailed in the last report to creditors, prior to commencing an action for insolvent trading, it was the Liquidators' intention to instruct their solicitor to:
 - Demand the Director provide a statutory declaration of his assets and liabilities together with copies of any books and records maintained by him in respect of the Education Works Group;
 - Demand the Director provide a copy of Fulcrum's D&O policy to determine whether an insurance policy exists against which an insolvent trading claim against the Director can be made; and
 - Provide an opinion on the merits of the defences available to the Director.
- The Liquidators confirm that all of the above has now been received.

Statutory Declaration – Mr Paul Riley

- A request for a statutory declaration pursuant to Section 530A(2) and (3) of the Act was issued to the Director on 4 December 2013.
- The statutory declaration request issued to the Director included the following requirements:
 - Any books and records held by the Director, which related to the questions posed by the Liquidators, be forwarded to the Liquidators;
 - The Director provide a statutory declaration of his assets and liabilities; and
 - The Director provide a copy of any directors and officers insurance policy he is protected under.
- Twenty-seven (27) questions regarding the affairs of the Companies, the Director's involvement in the Companies and the Director personally, were raised in the request, under the following headings:
 - Insolvency of the Group (17);
 - Relationship with the shareholder (3);
 - Transactions with shareholder, Fulcrum (1); and
 - Personal assets and liabilities of the Director (6)
- On 11 December 2013, Mr Riley requested an extension of time until 24 January 2014 in which to respond to the Liquidators. A statutory declaration was received from Mr Riley on 29 January 2014 answering all the questions raised.
- After reviewing the statutory declaration in detail, on 10 March 2014, the Liquidators solicitors wrote to Mr Riley requesting further information on his assets and seeking permission for the statutory declaration to be made available to the Committee.
- At Mr Riley's request, the statutory declaration has been tabled at a meeting of the Committee however no copies of the statutory declaration have been made or distributed to creditors.

Insolvent Trading

Statutory Declaration – Mr Paul Riley (Cont.)

- Unfortunately due to the confidential nature of the statutory declaration, and so not to prejudice any potential rights' of action against the Director and/or Fulcrum, the Liquidators are unable to provide detailed information with regard to the answers provided by the Director in the statutory declaration, with the exception of the below.

Personal financial position of the Director

- The statutory declaration of the Director shows that the Director has limited financial wherewithal to himself meet any claims against him by the Liquidators.
- Further, the Liquidators are aware that the Director's D&O policy for the Education Works Group contains an insolvent trading exclusion which would operate to prevent the Liquidators from making a claim against the relevant D&O policy.
- As a result of the above, it is the Liquidators opinion that it is not worth pursuing the Director for an insolvent trading claim as the Liquidators would have no means of enforcing any judgement awarded. The Liquidators will however report their findings on insolvent trading to ASIC pursuant to Section 533 of the Act.

Section 3 Other

01. Introduction

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Other issues

Book Debts – Wooldridges Australia and World of Education

- The Liquidators have now finalised the collection of the outstanding book debts of Wooldridges Australia and World of Education.
- \$450k of the \$682k outstanding as at the Voluntary Administrators appointment has been collected.
- Due to the lack of available documentation to support the remaining debtors and/or due to the small values outstanding, it is the Liquidators opinion that it is not commercial for legal action to be commenced to pursue the amounts still outstanding.

Book Debts – Jacaranda

- The Liquidators have identified that as at the date of the Voluntary Administrators appointment, there was an outstanding credit due to Jacaranda from the ATO in the amount of \$39,722.
- From a review of the Freedom of Information documentation received from the ATO, it is the Liquidators' position that all Jacaranda's tax returns (including GST, PAYG, FBT and Income Tax) had been lodged and paid and as such the credit on the account is owed by the ATO to Jacaranda.
- The Liquidators wrote to the ATO on 11 November 2014 requesting immediate repayment of the amount outstanding prior to 25 November 2014. As at the date of this report the Liquidators had not received a response from the ATO.

Employee Entitlements – Wooldridges Australia

- The Liquidators have now made all payments to eligible employees of Wooldridges Australia Pty Ltd under the Government Employee Entitlements Scheme (“GEERS”).
- GEERS only makes payments to employees for outstanding entitlements to a certain value and does not make payment for unpaid superannuation. Any amounts which are owed to employees and not covered by GEERS are a preferential claim in the Liquidation.
- It is unlikely that there will be any dividend paid to preferential creditors for amounts outstanding in excess of the GEERS limits or unpaid superannuation without there being any significant recoveries from the liquidators rights of action.

Estimated Outcome Statement – Group Position

- It is unlikely that there will be any payment made to preferential or unsecured creditors without a significant realisation being achieved from the Liquidators' rights of action (preference payments and uncommercial transactions).
- If funds are recovered from any preference payment or uncommercial transactions, these funds will be distributed to preferential creditors (being the Department of Education, Employment and Workplace in subrogation of the funds they advanced to employees under GEERS) and then the general body of creditors. The secured creditor does not have a priority over these recoveries under the terms of their circulating and non-circulating charge.

Receipts and payments for the period 29 August 2013 to 28 August 2014

Liquidators receipts and payments – Wooldridges Australia

- Attached as **Appendix A** is the Liquidators' receipts and payments for Wooldridges Australia.
- At the end of the Period the Liquidators held cash at bank of \$95,843.07.
- A summary of the significant receipts and payment in the Period for Wooldridges Australia is noted below. All receipts and payments are shown gross of GST.

Receipts

- GEERS (\$10,382): Relates to funds received from GEERS to pay outstanding employee entitlements.
- GST Refund (\$9,542): Relates to GST received in respect of payments made during the Period

Payments

- Liquidators' remuneration (\$96,362): This has been paid in accordance with Committee approval and relates to the period 22 August 2013 to 30 June 2014.
- Legal Fees (\$18,955): Relates to legal fees incurred in obtaining advice in relation to the Fulcrum payment and Mr Paul Riley's statutory declaration.
- GEERS Payments (\$8,564): Represents the net payments (after tax and superannuation withheld) made to employees under the GEERS scheme.

Liquidators receipts and payments – World of Education

- Attached as **Appendix B** is the Liquidators' receipts and payments for World of Education.
- The only significant transactions during the Period was receipt of funds from a debtor (\$372) and payment of the Liquidators remuneration (\$365).

Liquidators receipts and payments – Wooldridges NSW

- Attached as **Appendix C** is the Liquidators' receipts and payments for Wooldridges NSW.

- The only significant transactions during the Period was receipt of funding from the Secured Creditor, NAB (\$7,412) for payment of the Voluntary Administrators remuneration (\$7,892).

Liquidators receipts and payments – Wooldridges Victoria

- Attached as **Appendix D** is the Liquidators' receipts and payments for Wooldridges Victoria.
- The significant transactions during the Period were: receipt of funds from the secured creditor, NAB (\$7,594); payment of the Voluntary Administrators remuneration (from the funding of the secured creditor); and payment of the Liquidators remuneration (from the balance of funds held at the start of the Period).

Liquidators receipts and payments – Education Works Australia

- Attached as **Appendix E** is the Liquidators' receipts and payments for Education Works Australia.
- The only significant transactions during the Period was receipt of funds from the secured lender, NAB, (\$1,076) to pay the Voluntary Administrators disbursements (\$1,076).

Liquidators receipts and payments – Jacaranda

- Attached as **Appendix F** is the Liquidators' receipts and payments for Jacaranda.
- The significant transactions during the Period was receipt of GST (\$1,246) in respect of payments made during the Period and payment of the Liquidators' remuneration (from the balance of funds held at the start of the Period)(\$16,097).

Liquidators receipts and payments – Education Works

- There were no receipts and payments during the Period for Education Works.

APPENDICES A - F: Liquidators' receipts and payments

Liquidators' receipts and Payments

Appendix A – Wooldridges Australia

Wooldridges Australia Pty Ltd (in Liquidation)

Receipts and Payments for the period 29 August 2013 to 28 August 2014

	\$ (including GST)
Receipts	
Other Income	416
Accounts Receivable (Pre-Appointment)	719
GEERS	10,382
GST Received	9,542
Interest Income	71
Total Receipts	21,129
Payments	
Appointee Disbursements	(280)
Bank Charges	(704)
Document Storage	(7,819)
Fees: Appointee Fees	(96,362)
GEERS Scheme Payment	(8,564)
Legal Fees	(18,955)
PAYG withheld	(2,748)
Intercompany loans	(8,488)
Utilities	(7,091)
Sundry Expenses	(3,738)
Total Payments	(154,749)
Net Receipts and Payments	(133,620)

Appendix B – World of Education

World of Education Pty Ltd (in Liquidation)

Receipts and Payments for the period 29 August 2013 to 28 August 2014

	\$ (including GST)
Receipts	
Debtors	372
Interest Income	5
Total Receipts	377
Payments	
Fees: Appointee Fees	(365)
Bank Charges	(75)
Total Payments	(440)
Net Receipts and Payments	(63)

Appendix C – Wooldridges NSW

Wooldridges NSW Pty Ltd (in Liquidation)

Receipts and Payments for the period 29 August 2013 to 28 August 2014

	\$ (including GST)
Receipts	
GST Received	734
Funding from Secured Creditor	7,412
Total Receipts	8,146
Payments	
Appointee Disbursements	(193)
Fees: Appointee Fees	(7,892)
Total Payments	(8,085)
Net Receipts and Payments	61

Liquidators' receipts and Payments

Appendix D – Wooldridges Victoria

Wooldridges Victoria Pty Ltd (in Liquidation) Receipts and Payments for the period 29 August 2013 to 28 August 2014

	\$ (including GST)
Receipts	
GST Received	1,570
Interest Income	3
Funding from Secured Creditor	7,594
Total Receipts	9,167
Payments	
Appointee Disbursements	(224)
Fees: Appointee Fees	(17,172)
Bank Charges	(74)
Agents Fees	(1,178)
Total Payments	(18,648)
Net Receipts and Payments	(9,481)

Appendix E – Education Works Australia

Education Works Australia Pty Ltd (in Liquidation) Receipts and Payments for the period 29 August 2013 to 28 August 2014

	\$ (including GST)
Receipts	
Funding from Secured Creditor	1,076
Total Receipts	1,076
Payments	
Appointee Disbursements	(1,076)
Total Payments	(1,076)
Net Receipts and Payments	-

Appendix F – Jacaranda Educational Supplies

Jacaranda Educational Supplies Pty Ltd (in Liquidation) Receipts and Payments for the period 29 August 2013 to 28 August 2014

	\$ (including GST)
Receipts	
GST Received	1,246
Interest Income	5
Total Receipts	1,251
Payments	
Fees: Appointee Fees	(16,097)
Bank Charges	(74)
Utilities	(938)
Total Payments	(17,109)
Net Receipts and Payments	(15,858)