



McGrathNicol

McGrathNicol Limited

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INTUERI EDUCATION GROUP LIMITED (IN LIQUIDATION) (THE COMPANY)

**LIQUIDATORS' REPORT (PURSUANT TO SECTION 255 OF THE COMPANIES ACT 1993)
FOR THE PERIOD 1 March 2020 to 31 August 2020**

COMPANY NUMBER: 4013538

1. Appointment

William Black and Conor McElhinney of McGrathNicol New Zealand were appointed jointly and severally as Administrators of the Company on 1 June 2017 by a resolution of the Company's Directors, pursuant to Part 15A of the Companies Act 1993.

The Company is part of a group of seven companies which were all placed into Administration on 1 June 2017 (**the Intueri Group**).

At the Watershed Meeting held on 1 September 2017 the creditors resolved that the Company be placed into liquidation. William Black and Conor McElhinney (**Liquidators**) were appointed joint and several liquidators in accordance with section 241(2)(d) of the Companies Act 1993. On 13 November 2019, William Black retired as Liquidator and Kare Johnstone was appointed.

As Accredited Insolvency Practitioners, the Liquidators are bound by the Restructuring Insolvency and Turnaround Association of New Zealand Inc's (**RITANZ**) Code of Professional Conduct, a copy of which can be located on RITANZ's website (www.ritanz.org.nz).

2. Disclaimer

The purpose of this report is to report to the creditors and shareholders in accordance with Section 255 of the Companies Act 1993.

This report has been prepared based on the information known to the Liquidators as at the date of this report. We reserve the right (but will be under no obligation) to review this report and if we consider it necessary to revise the report in the light of any information existing at the date of this report which becomes known to us after that date. We have not independently verified the accuracy of information provided to us, nor have we conducted an audit in respect of the Company. We express no opinion on the reliability, accuracy, or completeness of information provided to us and upon which we have relied.

The Liquidators do not accept responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction, or use of this report.

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3. Report on the conduct of the liquidation

Whilst also attending to statutory matters, upon appointment the Liquidators commenced investigating the factors contributing to the insolvency of the Intueri Group. One of the main businesses of the Intueri Group was Quantum Education Group Limited (**Quantum**), which comprised a network of schools, purchased together with Quantum Corporate Training Limited (**QCTL**) for \$40 million as part of the initial public offering in May 2014. Our investigations revealed that a substantial part of revenue for Quantum was earned by retaining student fees paid by students that had withdrawn from their course, and re-selling the vacated spot to a new student. Quantum's business model was based on receiving the majority of its revenue from students who had withdrawn from courses and were not taught. Upon becoming aware of this, the Tertiary Education Commission (**TEC**) investigated Quantum's practices. The investigation concluded that Quantum was manipulating the data it reported to the TEC (in particular, by using course dates to manipulate the equivalent full-time student allocation and/or to improve the educational performance indicators).

In December 2015, TEC instructed Intueri that any students who did not receive a refund of their fees should be included in the student data reported to the TEC. Quantum could not achieve the required student pass rates when students were reported in compliance with TEC requirements and the Quantum business model was no longer sustainable. Quantum schools were subsequently closed.

Prior to the appointment of Administrators, the Company had issued a Notice of Breach of Warranties in relation to the Quantum sale and purchase agreement to the vendors of Quantum and QCTL.

As Liquidators we undertook further investigations into the matter, sought advice as to the likelihood of success of legal action and prepared a statement of claim.

The Liquidators, in conjunction with their legal advisors, sought litigation funding in order to bring an action.

Despite seeing merit in the case, and spending considerable time on attempting to secure funding, in the end all the litigation funders approached declined to fund the action. Accordingly, the Liquidators were unable to pursue potential actions against the vendors of Quantum and QCTL.

We note that a shareholder class action is being taken independently of the liquidation and continues.

In addition, the Liquidators have commenced actions against certain other parties associated with the Company. In order not to prejudice these actions, we cannot comment further at this time. We will provide an update to creditors on these matters when it is appropriate to do so.



4. Receipts and payments

A summary of receipts and payments for the period 1 March 2020 to 31 August 2020 is set out below:

Intueri Education Group Limited (In Liquidation)	
Receipts and payments summary 1 March to 31 August 2020	\$
Funds on hand 1 March 2020	53,898
Receipts	
Interest	13
GST received	337
Trademark fee refund	383
Total receipts	733
Payments	
Bank fees	195
GST paid	1,260
Legal fees	3,234
Liquidators' fees	5,016
Liquidators' disbursements	150
Total payments	9,855
Balance held as at 31 August 2020	44,776

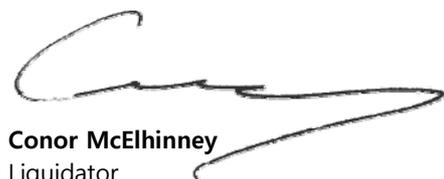
5. Estimated date of completion of the liquidation

It is not practicable to estimate the date of completion of the liquidation at this stage.

6. Further information

If you require any further information in relation to the liquidation, or if you have any information that will be of assistance to the Liquidators, please contact Leanne de Seymour on +64 9 926 5104.

Dated: 25 September 2020



Conor McElhinney
Liquidator