

Semantic Software Asia Pacific
Limited
(In Liquidation)

ACN 134 067 691

Report to creditors

15 October 2021



Executive Summary

Appointment background

We refer to our appointment as joint and several liquidators of Semantic Software Asia Pacific Limited (**the Company**) and to our previous reports to creditors dated 21 July 2021 (**First report to creditors**) and 1 September 2021 (**Second report to creditors**). If you do not have a copy of the previous reports, please contact our office.

Report's purpose

The purpose of this report is to provide you with an update on the progress of the liquidation. This report should be read in conjunction with our previous reports to creditors.

We have convened a meeting of creditors to be held virtually on Tuesday, 9 November 2021. The purpose of the meeting of creditors is to provide creditors with an update on the liquidation, put a resolution to creditors to form a Committee of Inspection and approve the remuneration of the liquidators that has been incurred to date.

Patent portfolio

We have progressed a number of workstreams in respect to the patent portfolio including:

- Securing and reviewing the providence of all registered patents (including Deeds of Assignment) and liaising with the various legal advisors of the Company that have performed patent work on its behalf
- Meeting ongoing payments for renewal fees and responding to United States Patent and Trademark Office (**USPTO**) Examiners
- Engaged two (2) infringement mapping/claim charting experts to assist in providing valuation advice and claims charts for input into the sale process of the patents
- Sought proposals from expert auction/sale brokers (globally) to assist with the sales process of the patents.

Investigations/potential claims

Our investigations are still in preliminary phases however we consider the Company has likely been insolvent since at least 1 July 2017. We have identified a number of potential claims in the liquidation and/or contraventions of the Corporations Act 2001 (**the Act**). Our investigations have been hindered by the lack of records held by the Company and the failure of the Directors to sufficiently complete a Report on Company Activities and Property (**ROCAP**).

Please refer to Section 3 of this report for a further discussion on the investigations.

Funding

The costs of maintaining the patent portfolio and engaging experts to assist in the sale process are significant and given the Company's lack of liquid assets we have been pursuing funding options. At the date of this report, we have not secured any funding however are continuing to pursue a number of enquires with the Commonwealth of Australia's Fair Entitlement Guarantee program (**FEG**), litigation funders and creditors. We will provide a further update to creditors on this at the forthcoming meeting of creditors.

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1 Overview of the liquidation

1.1 Meeting of creditors

Notice of the first meeting of creditors (**the Meeting**) is attached at **Appendix A**. The first meeting of creditors will be held on:

Date: 9 November 2021

Meeting time: 10:00 AM

Venue: Online meeting

We note due to the current restrictions in respect of the COVID-19 outbreak and creditors being located in different parts of the nation, the meeting will be held online. The meeting is to be convened in accordance with the Act and for the health and safety of creditors, us and our staff, we request that creditors dial in for the meeting.

To register an attendance and be entitled to vote at the Meeting, creditors must complete and submit the following forms attached at **Appendix B** and **C**:

- Appointment of proxy form – if a corporate creditor wants to be represented, it must appoint an individual to act on its behalf by providing an executed proxy form. Individuals may choose to appoint a representative to vote on their behalf by executing a proxy form. If an individual is attending, a proxy form is not required
- Proof of debt form – this form is required to be completed to entitle a creditor to vote at the meeting. Documents to support the amount claimed must also be provided.

Forms must be submitted by no later than 4:00 PM (AEDT) on 4 November 2021 to Vicky Wu at au_semantic@pwc.com. On receipt of the forms, our office will contact you with the dial in details.

Committee of Inspection

At the forthcoming meeting, creditors will consider whether a Committee of Inspection (**COI**) should be appointed. The role of a COI is to advise and assist the liquidators and monitor the conduct of the liquidation. For the following reasons it is our opinion that a COI would be useful to assist with the conduct of the liquidation:

- The large number of creditors/shareholders can be represented by a smaller committee which will make communications to creditors/shareholders more efficient and expeditious;
- A COI can approve resolutions put to them on behalf of creditors and the notice period for COI meetings is considerably less than for a creditors meeting, and accordingly, allows us to work with the COI to approve resolutions such as engaging third parties; and
- The COI can triage questions from creditors/shareholders and allow the liquidators to respond in a more efficient manner.

An information sheet on the role of a COI is included at **Appendix D**. We strongly recommend the number of COI members is limited to be between 5 to 7 members.

1.2 What happened to the business of the Company?

Semantic Software Asia Pacific Limited (**the Company**) is an Australian public company. The Company was formerly called Tralee Technology Holdings Pty Ltd having incorporated on 7 November 2008. In November

2013, the Company became an unlisted company and changed its name to Semantic Software Asia Pacific Limited.

The current directors of the Company are Maureen Moore (since 28 August 2013), Duncan Mount (**Mr Mount**) (since 20 July 2016) and Deborah Pike (since 29 June 2020). The Company currently does not have a secretary. Mark Bradley (**Mr Bradley**) was a director of the Company from 7 November 2008 to 25 October 2018.

According to the most recent set of financial reports lodged with ASIC (ending 30 June 2017), the Company's principal activities were to conduct research and development focused primarily on cognitive computing technologies. The Company ceased trading upon our appointment as liquidators on 15 July 2021.

Prior to our appointment, we understand the Company had not reached the point of commercialisation for its various technologies, but rather the Company required ongoing capital raises to fund ongoing costs of trading.

Semantic Technologies Pty Limited (**Semantic Technologies**) is a proprietary company, having been incorporated on 30 May 2008 that is a wholly owned subsidiary of the Company. Semantic Technologies is the legal owner of the various patents registered in the United States and Australia discussed at Section 2.1.1 of this report. Mr Bradley was a director of Semantic Technologies from 30 May 2008 to 25 October 2018. He was also a former shareholder of Semantic Technologies. Semantic Technologies currently does not have a director or secretary and has been and continues to be reliant on the Company to fund ongoing renewal and licence fees associated with the various patents it owns. As discussed at Section 2.1.1 of this report we intend to take steps to appoint ourselves as liquidators to Semantic Technologies in the near future in order to commence the sales process of these patents.

Mr Bradley had remained a director of Semantic Technologies after becoming bankrupt, his bankruptcy date is 25 October 2018. We understand that his bankruptcy trustee reported Mr Bradley's misconduct to Australian Securities & Investments Commission (**ASIC**) and ASIC subsequently removed him as a director. Unless an individual has been given leave by the court to manage corporations, an undischarged bankrupt is automatically disqualified from managing corporations and ceases to be a director. It is an offence for an undischarged bankrupt to continue to manage a corporation without the permission of the court.

Prior to our appointment the Company was a defendant in legal proceedings commenced by ASIC following extensive investigations into the Company's financial affairs. Investigations conducted by ASIC are outlined in this report.

1.3 Report of Company Activities and Property (ROCAP)

The Act requires the directors and secretary of the Company to complete and submit to its liquidators a ROCAP. We are yet to receive a completed ROCAP from any of the current directors. As advised previously, we issued a further request for a ROCAP to be completed by Mr Bradley as a former director, however a completed ROCAP has not been provided by Mr Bradley at the date of this report. A number of the directors have indicated that they have been unable to complete a ROCAP due to health issues and a lack of knowledge/access to the Company's financials.

The completion of a ROCAP is an important responsibility of company officers and provides useful information to assist liquidators in their investigations into the affairs of the company. We intend to refer this non-compliance to ASIC for further investigation/assistance.

1.4 Reasons for difficulties

As noted above the directors have not completed the ROCAP's which include questions directed at their belief as to reasons for which the Company ceased trading and/or failed as the case may be. Based on our investigations to date the Company has been in development phase since its inception and has not generated any meaningful revenue over the course of the Company's lifespan. Accordingly, its ability to continue as a going concern appears to have been solely reliant on raising capital from debt or equity sources.

Since circa 2013, the Company has primarily raised capital via issuing shares to the public on terms set out in a "Share Issue Agreement", which includes a "share buy-back guarantee" to fund the ongoing expenses of the Company. These buy-back guarantees contained a guarantee that the Company will purchase the shares from the investor at a significantly increased amount after a certain period of time and generally if certain events do not occur within a particular timeframe (such as an initial public offering or a buyout by a third party). Our investigations into these forms of guarantees are continuing however we note the Company has recorded in its Xero accounts circa \$61m in contingent liabilities and we understand the Company has not been able to honour any claims, save for one or two claims on compassionate grounds, made by shareholders pursuant to these guarantees.

The Company does not appear to have raised sufficient capital to allow it to meet its ongoing expenses with significant debts owing to the Australian Taxation Office (ATO), employees and the landlord accruing over a number of years. In addition, the Company was party to legal proceedings (Semantic Software Asia Pacific Ltd v Ebbsfleet Pty Ltd [2018] NSWCA 12) which required significant legal fees to be incurred. The Company was ultimately successful in these proceedings but at the date of our appointment had not recovered the benefit of cost orders made in its favour. We are also aware of proceedings against the Company commenced by a former employee, Mr Graeme Wood. On 14 May 2021, the Court ordered the Company to pay amounts to Mr Wood for contraventions of the Fair Work Act 2009 (Cth). We understand that the matter is listed for a further hearing date on 2 November 2021.

We understand this process of raising capital with guarantees given as to the increase in the price of the shares led to investigations and then legal proceedings being commenced by ASIC against the Company, Mr Mount and Mr Bradley which ultimately led to the Court imposing various injunctive restraints against the Company's assets and fund-raising activities earlier this year. Our appointment as Liquidators followed on 15 July 2021 by consent of the Company and ASIC. A further discussion on ASIC proceedings and the Company's fundraising is set out below.

2 Assets and Liabilities

Below is a summary the investigations into the asset and liability position of the Company.

	Notes	Xero Accounts	Liquidator's estimate
		€	€
Assets:			
Intellectual property	2.1.1	623,921	Unknown
R&D grants	2.1.2	2,536,440	To be determined
Cost orders	2.1.3	Withheld	Withheld
Other receivables	2.1.4	1,728,277	Unknown
Office assets	2.1.5	285,006	Withheld
Domain names	2.1.6	N/A	N/A
Cash at bank	2.1.7	445,003	1,611
Total known Assets		5,618,647	TBC
Liabilities			
Employee entitlements	2.2.1	1,233,094	3,769,569
Secured creditors	2.2.2	176,329	612,586
Unsecured creditors	2.2.2	5,879,168	7,596,371
Shareholder/guarantees	2.2.3	61,149,994	TBC
Total known Liabilities		68,438,858	TBC
Surplus / (Deficiency) (subject to costs of liquidation)		(62,820,211)	TBC

2.1 Assets

2.1.1 Intellectual property patents (IP)

As set out in our previous reports to creditors, the Company's main asset is being the 100% shareholder of Semantic Technologies, which is the holder of a patent portfolio.

Patent Number	Jurisdiction	Status
9767175	United States	Registered
9934296	United States	Registered
9959331	United States	Registered
9720988	United States	Registered
8615483	United States	Registered
2002318987	Australia	Registered
10031955	United States	Registered
10073898	United States	Registered
10078675	United States	Registered
10133799	United States	Registered
10169435	United States	Registered
10303698	United States	Registered
10387491	United States	Registered
9317573	United States	Registered
10706064	United States	Registered

Patent Number	Jurisdiction	Status
9679035	United States	Registered
9607064	United States	Registered
9378257	United States	Registered
7464099	United States	Registered

We understand the Company has also developed software previously to demonstrate the efficacy of its patents for various different industries. The software that is secured by the Company is currently stored on the Company's servers. We have liaised with former employees and understand that virtual machines to demonstrate the software can be re-established so that the software can be sold in conjunction with the patents in the sale process.

Ongoing maintenance

Since the Second report to creditors, we have continued to meet the renewal fees that have fallen due on the patent portfolio and engaged the Company's Australian based Patent Attorneys (Wrays and Davies Collison Cave) to instruct the US attorneys to proceed with preparation and lodgement of responses to the United States Patent and Trademark Office (**USPTO**).

To date we have paid \$8,657 in respect of the patent renewal fees and \$22,000 in responses to the Examiners at the USPTO.

Investigations into ownership

As set out in our previous reports to creditors, the patents are held by Semantic Technologies, having been assigned to Semantic Technologies by the inventors who at the time were employees of the Company. On our appointment, we were advised by Mr Bradley that an appointment of a liquidator to Semantic Technologies may trigger issues associated with the assignment deeds and, on an appointment, transfer ownership rights to the inventors. Despite our requests Mr Bradley has provided little information to us in respect of the assignment deeds and we have since conducted a detailed review of the Deeds of Assignment and had an open dialogue with former employees including one of the chief inventors, Mr Don Tonkin.

Based on investigations to date and legal advice we have obtained there do not appear to be any such rights that would trigger in the event of a liquidation. Accordingly, we are taking steps to be appointed as liquidators to Semantic Technologies so that we can control and sell the various patents.

Infringement mapping and claim chart work

Our discussions with various experts in patents (Patent Attorneys, valuers, sale brokers, auctioneers etc) and management has indicated that the key input for a sale of a patent portfolio that is pre-commercialisation is the ability to demonstrate that third parties are infringing on the software covered by the patents. Based on discussions to date with management and former employees, it appears minimal work has been done by the Company on mapping the possible infringements prior to our appointment.

We have liaised with a number of experts worldwide in respect to valuations and infringement mapping and engaged two parties based on other recommendations from experts in the field. The parties were engaged to conduct initial reviews of the patent portfolio including:

- Conduct an initial review of the patent portfolio
- Triage the patents into those likely to have strong infringement claims and those that are going to be difficult
- Prepare an indicative list of potential claimants per patent family.

The Phase One reviews have been paid up front by us and were both circa \$6k. We made the decision to engage two separate parties to conduct this review due to the following reasons:

- The costs of the process were not material
- The review phase can be largely subjective and as such we wanted two opinions
- The two parties initial phase work can then be used to engage a sales broker/auctioneer to advise the Liquidators in respect of the sale campaign.

We have received a Phase One report from one of the experts engaged and anticipate receiving the second report by Friday, 22 October 2021. Following this initial review phase, we anticipate engaging one of the experts to conduct the Phase Two review as follows:

- In depth analysis on the patents highlighted in Phase One
- Conduct searches and potentially reverse engineering of the claimant's software to prepare a detailed claim chart
- Provide advice in respect to valuations for the various patents.

The costs for this Phase Two review are subject to the findings of Phase One as the costs accrue per patent and per claim.

Valuation

We have liaised with Brattle Group Inc, the Company's previous valuer, who indicated that they are unwilling to update their 2015 valuation due to a number of reasons including:

- They are specialists in conducting valuations on potential value and not point in time, transactional valuations
- The assumptions the valuation was conducted under initially may not have been met by the Company which would materially affect the value
- They were engaged to provide the report for the specific purpose of litigation brought against the Company
- They do not engage in transaction type reviews.

Following completion of the initial infringement mapping and claim chart work, we intend to obtain valuation advice from one of these parties.

Preparatory steps on the sale

We have conducted discussions with various parties domestically and internationally in respect to acting as a valuer/sale advisor/broker/auctioneer for the patent portfolio. The parties we approached were largely on the recommendations of:

- PwC Mergers and Acquisition teams in Australia and United States
- Shareholders of the Company
- Patent Attorneys and other experts.

To date we have received one formal proposal and anticipate receiving further proposals from various parties. Given the specialised nature of the assets we are selling, we intend to engage a sales advisor in a two-stage process as follows:

Stage One

- Reviewing the Phase One infringement mapping reports and advising in respect to the depth of further claims charts required for the Phase Two review in collaboration with former employees of the Company
- Developing collateral required for data room (including reestablishment of former software utilised by the Company to demonstrate technology) in collaboration with claims experts and former employees of the Company.

Stage Two

- Commence the sales process by way of expression of interest campaign, sealed bid auction or public auction
- Timeframe is likely to take between 3 and 6 months.

The various experts that we have held initial discussions with have indicated that the best approach to realise a pre-commercialised patent portfolio is by way of a targeted expression of interest campaign, followed by a sealed bid auction. The rationale for this approach is:

- To ensure the parties who are highlighted as potential infringing parties are actively engaged in the process
- Limit the potential of a number of parties to ‘club together’ to drive the price down
- It has a track record of success of pre-commercialised patent portfolios and for companies subject to liquidation.

We anticipate providing creditors with an update on our preferred candidate at the forthcoming meeting of creditors and the intended process.

Given the length of time that it expected to take to sell the patents, we anticipate the second stage to take longer than three months and accordingly we will require creditors (or COI) or court approval to enter into the agreement pursuant to Section 477(2B) of the Act.

2.1.2 Potential Research & Development grant

As set out in our Second report to creditors, the Company’s pre-appointment R&D advisor has indicated to us that on lodgement of the outstanding ITRs and the FY21 R&D claim with AusIndustry, there will be a credit on the income tax account of circa \$2.3m – noting that this is on the assumption that the ATO remits all interest and penalties. Accordingly, it appears that the best-case position for the Company is as follows:

Description	Amount \$
Running Balance Account	1.6m
Income Tax Account	(2.3m)
Superannuation Guarantee Charge	2.1m
Total Debt	1.4m

We have written to AusIndustry to request copies of the R&D certificates previously granted, and copies of all lodgements by the Company as the Company’s previous R&D advisor has not released the documents to us at this stage. We understand that this is being claimed under a lien as they are a creditor in the liquidation.

As there appears to be no prospect of a return to the Company under this process, we do not presently consider it commercial to conduct any further work in respect to this asset unless we are specifically funded to do so. On receipt of the documents from AusIndustry, we intend to seek further quotes from other parties so that interested parties can make an informed decision on whether to consider funding that stream of work.

Mr Bradley has indicated to us that he does not agree with the amount of the ATO claim however at this stage we are yet to be provided with any information to indicate that the amount is correct apart from the comments made by Mr Bradley. Should any creditor (employees included) have information to suggest that the ATO’s claim is incorrect we welcome them to provide this information to us.

2.1.3 Cost orders

The Company was awarded a Cost Orders in its favour in respect to proceedings brought against the Company and Mr Bradley. We have filed the Cost Order claims and are currently waiting on a timetable from the Courts and/or a response from the two parties we have claims against.

As the two claimants are creditors/shareholders through separate corporate vehicles, we will not disclose any further details in respect to this claim at this stage.

2.1.4 Other receivables

We have issued loan demands to Mr Bradley and Bradley Pacific Holdings Pty Ltd (**BPH**) as the trustee of the M&V Bradley Trust as follows:

- 23 July 2021 – demand issued to Mark Bradley for the loans to Mark Bradley and M&V Bradley Trust for \$513,235 and \$391,902 respectively
- 11 August 2021 – demand issued to BPH as the trustee of the M&V Bradley Trust for \$391,902
- 5 October 2021 – further demand issued to BPH as the trustee of the M&V Bradley Trust for \$391,902.

We note that there is a further loan to a Mr Bradley entity, ETL Australia Pty Ltd for \$303,118, listed in the Company's financial accounts. We note that ETL Australia Pty Ltd was deregistered in 2018, and that the Company's financial accounts fully provisioned this loan to \$0 at a time when Mr Bradley was a director of the Company. Further, the financial statements indicate that the loan to ETL Australia Pty Ltd was due to be paid on 1 July 2019, at which point ETL Australia Pty Ltd had already been deregistered and the Company had already fully provisioned this loan. It does not appear that ETL Australia Pty Ltd/Mr Bradley had any intention of repaying this loan.

As Mr Bradley is an undischarged bankrupt, we do not anticipate recovering any funds from the loans outstanding to him and will lodge a claim with his Trustee. Mr Bradley's Trustee has indicated that he has not been able to recover any funds from Mr Bradley through income contributions or assets of Mr Bradley. On that basis a dividend to creditors appears unlikely. In addition, Mr Bradley's Trustee has issued statutory notices under the Bankruptcy Act to us requesting information which we have complied with to date.

We have requested further information and documents in relation to the loan with BPH. We note that today, 15 October 2021, we have received an email from a party purporting to act for BPH providing us with an unsigned loan agreement that indicates that the loan is not due until July 2022. It is our understanding that Mr Bradley is a beneficiary of M&V Bradley Trust, a discretionary trust, and the sole director and secretary of BPH is Katherine Elizabeth Savidis, Mr Bradley's daughter.

Mr Bradley has indicated to us that he believes the amount owing from the M&V Bradley Trust is overstated as there was a set off agreement in place whereby Mr Bradley's salary was reduced and the amount that his salary was reduced by used to repay the loan to the M&V Bradley Trust. We have not been provided with any documents to evidence this arrangement despite our various requests to Mr Bradley. We consider such an arrangement if it existed may also be likely to be voidable against the Company.

Failing an adequate response being received from BPH, we may need to commence steps to recover this debtor including the issuance of a statutory demand to recover the amount. We will advise creditors in due course on whether any recoveries are made from these sources.

2.1.5 Office assets

Prior to disclaiming the lease at the Company's former trading premises, we engaged an auctioneer to collect all removable and commercial assets of the Company. The landlord did not allow us to remove any of the workstations, built-in assets or another other assets that were fixtures and/or would create damage by removing them. We intend to realise these assets through an online auction process in the coming weeks and as such have not disclosed the valuation advice as it is commercially sensitive.

2.1.6 Domain ownership

On our appointment it was our understanding that the Company was the registered owner of the domain, www.cognitivesoftware.com (**the Domain**). The Domain appears to have been held in accounts managed by the Company, and the Company has met all costs in respect to the Domain. Subsequent to our appointment we were made aware by the third parties that host the Domain, GoDaddy and Rackspace, that the Domain, held in the Company's account, was being transferred to a third party that had claimed ownership of the Domain.

Mr Bradley has subsequently claimed that BPH is the registered owner of the Domain and that it has legal title to the Domain. We have requested further information from Mr Bradley in respect of the claimed ownership of BPH in circumstances where, as we understand, the Company has met all costs in respect of the Domain and the data/content attached to the Domain appears to relate to the Company's primary business activities. We are yet to receive a response from Mr Bradley. We will update creditors in due course on the results of further enquires.

2.1.7 Cash at bank

Upon our appointment we wrote to major banks and identified the following accounts in the Company's name:

Bank	Balance (\$)
Australia and New Zealand Banking Group Limited – account ending 48	nil
Australia and New Zealand Banking Group Limited – account ending 95	(137,996)
Australia and New Zealand Banking Group Limited – account ending 08	(17,214)
Commonwealth Bank of Australia – account ending 85	1,501
Commonwealth Bank of Australia – account ending 77	110

We have written to Commonwealth Bank of Australia (**CBA**) requesting they transfer the closing balance of funds held in this account. These funds are yet to be realised at the date of this report as CBA has advised us that the ASIC freezing order is still registered on the account. We have provided CBA with the Court Order appointing us Liquidators, which included a lifting of the freezing order.

2.2 Liabilities

2.2.1 Priority creditors/employees

Due to the Company's records not being complete at the date of our appointment, we have estimated the amounts owed to employees by reviewing information from various sources as follows:

- The balances in Xero as at 30 June 2020
- Proof of debt forms completed by former employees
- Proof of debt form lodged by the Deputy Commissioner of Taxation (**DCT**) in respect to superannuation.

We understand that immediately prior to our appointment the Company's internal accountants were completing a reconciliation of the amounts owed to employees however this work was incomplete at the date of our appointment.

The DCT has advised our office in his formal proof of debt that the claim for superannuation guarantee charge for the period from 1 October 2008 to 30 September 2021 is \$2,079,165.

The table below is a summary of the outstanding employee entitlements from the sources set out above. We note that as these claims are based on the proofs of debt received and/or the Company's management accounts

to 30 June 2020, the claims could be materially higher than set out above if the accounts were to be reconciled to our appointment, and/or all employees submit their claims:

Employee entitlements	Amount (\$)
Wages	1,151,855
Superannuation	2,079,165
Leave of absence (annual leave and long service leave)	327,315
Retrenchment or payment in lieu of notice	211,234
Total	3,769,569

As set out in Section 1.2 of this report, prior to our appointment the Company was ordered by the Federal Circuit Court of Australia to make payments to a former employee, Mr Graeme Woods, for the following amounts:

- \$231,901 for amounts owing under his employment contract
- \$11,736 in respect to annual leave entitlements
- \$29,020 and \$1,466 in for interest in respect to the outstanding amounts
- \$45,845 to a superannuation fund.

We understand that none of these amounts have been paid. There are additional claims arising from Mr Woods' claim in the same proceedings but which have not yet been determined by the Court and the matter is listed for a directions hearing on 2 November 2021 to deal with those additional claims.

We have had initial queries from FEG in respect to the claims lodged by employees however we understand that FEG has engaged a third-party contractor to conduct a verification of the claims.

2.2.2 Secured and unsecured creditors

Secured creditors

A secured creditor is a creditor that holds a security interest over some or all of a company's assets. To be valid, the security interest must generally be registered on the Personal Property Securities Register (**PPSR**) or, in the case of land and buildings, at the relevant land titles office. At the date of our appointment, the Company had the following secured creditors registered their security interest against the Company:

Name	Registration number	Collateral type	Amount (\$)
Armacor Pty Ltd	202106290082410	Account	212,586
A.C.N. 603 303 126 Pty Ltd	201705180069234	All Pap No Except	400,000
Capital Finance Australia Limited	201410020001633	Other goods	Unknown
Total (estimate)			612,586

Armacor Pty Limited

Armacor Pty Ltd trading as TechAbstract has lodged a formal proof of debt in the amount \$212,586. This debt relates to professional service fees associated with Jamie Collins in respect to the Company's R&D grants. For more details, refer to our Second report to creditors. We have yet to determine the validity of this security interest.

A.C.N. 603 303 126 Pty Ltd

We issued correspondence to this creditor on our appointment however at the date of this report we are yet to receive a formal response.

We had an initial discussion with the lawyer acting for ACN 603 303 126 Pty Ltd who has indicated that their claim is in respect to a loan to the Company, secured primarily against the R&D credits. We understand that the current amount owing is circa \$400k however we are yet to receive a formal notice from the lender.

Capital Finance Australia

We issued correspondence to this creditor on our appointment however at the date of this report we are yet to receive a formal response. We are unaware of the nature of the debt that gives rise to the security interest lodged against the Company.

Unsecured creditors

There are approximately 46 known trade creditors as set out below. The amounts are based on the proof of debt forms received to date and the Company's Xero aged payable summary as at 15 July 2021 (noting that the accounts have not been updated since 30 June 2020). We note that we have provided brief commentary on the creditors who have lodged claims greater than \$100k.

Creditor	Amount (\$) Xero	Amount (\$) POD
ATO	1,845,909	6,241,836
Northpoint Tower Property Pty Ltd	130,548	440,889
Silberstein & Associates	Nil	256,616
Keith Graham	150,000	150,000
ANZ Bank	Nil	137,996
Davies Collison Cave	74,764	107,603
Other trade creditors (40 in total)	260,431	130,422
Total	2,461,652	7,465,362

ATO

The ATO has lodged a claim for \$8.3m, of which \$6.2m relates to unsecured amounts as set out in the table below.

Description	Amount (\$)
Running Balance Account	1.6m
Income Tax Account	3.9m
General interest on Income Tax	0.7m
Total Debt	6.2m

As noted in the Second report to creditors, there are 28 PAYG/BAS statements and 3 income tax returns that are yet to be lodged and, on lodgement, will impact the ATO debt. We understand that the primary

Superannuation Guarantee Charge debt has been estimated to our appointment, but the Running Balance Account debts (PAYG & GST) have not, nor they are up to date and as such, could increase.

We refer creditors to our previous comments in Section 2.1.2 that set out that the Company's R&D advisor has estimated that on lodgement of the outstanding ITRs and the FY21 R&D claim with AusIndustry, there will be a credit on the income tax account of circa \$2.3m – noting that this is on the assumption that the ATO remits all interest and penalties. We note that this calculation does not include any increases on the Running Balance Account in respect to PAYG or GST. We would expect there to be a material increase, most notably in respect to PAYG however, as employees were not being paid set amounts in the years proceeding our appointment, it is difficult to estimate what this debt could be.

Northpoint Tower Property Pty Ltd (the Landlord)

The Landlord has lodged a proof of debt for \$440,888.96. It is our understanding that this includes post-appointment rent and tenancy reinstatement costs. We further understand the Landlord has cashed in the Company's bank guarantee of \$137,996, and the amount claimed has been reduced by the value of the bank guarantee.

We note that the Landlord has a priority claim in the liquidation of \$22,993 in respect to rent that accrued post our appointment as Liquidators. We note that we required the use of the property to secure the Company's available books and records including the Company's server. This amount is payable as a priority pursuant to Section 556(1)(a) of the Act.

Silberstein & Associates

We understand that Silberstein & Associates previously acted for the Company in various legal proceedings. Silberstein & Associates have advised us that they had no active engagements as at the date of our appointment.

Keith Graham

Mr Graham is a shareholder of the Company however he provided the Company with an unsecured loan of \$150,000 in February 2020 to assist with the ongoing operations of the Company.

ANZ Bank

ANZ provided the Company with a bank guarantee in respect to the lease at the head office. As noted above, the Landlord has cashed in the Company's bank guarantee which triggered the claim by ANZ.

Davies Collison Cave

As set out in Section 2.1.1, DCC is engaged by the Company in respect to various patent applications and patent related matters. We note that DCC were engaged in respect to a number of pending patent applications prior to our appointment and that we intend to engage them to progress applications where required.

2.2.3 Shareholders' claims

As noted previously in this report, the Company raised capital by issuing shares to the public on terms set out in a "Share Issue Agreement", which includes a "share buy-back guarantee" to fund the ongoing expenses of the Company. These buy-back guarantees contained various forms of guarantees that the Company would purchase the shares from the investor at a significantly increased amount after a certain period of time and generally if certain events do not occur within a particular timeframe (such as an initial public offering or a buyout by a third party). We understand that prior to February 2014, guarantees were provided by Mr Bradley (as set out in

the decision in *Semantic Software Asia Pacific Ltd v Ebbsfleet Pty Ltd* [2018] NSWCA 12 and as advised by ASIC), and post February 2014 the guarantees were provided by the Company.

We have reviewed a number of different versions of the forms of guarantees used by the Company and sought legal advice in respect of same to determine voting entitlements. Our preliminary view on the information presently available is that shareholders with guarantees provided by the Company will likely be entitled to claim as creditors in the liquidation at a minimum for the value of the funds paid for the subscription of shares however given the differences in each guarantee the final quantum will be assessed individually based on specific circumstances and terms of the guarantees. To date we have received claims from approximately 52 shareholders totalling \$17.2m however we note the Company's Xero accounts indicate there is circa \$61m owed in respect to guarantees.

Prior to the forthcoming meeting of creditors, we will notify individual shareholders who have lodged claims on how we proposed to treat their claims for voting purposes. Please note that claims are only being adjudicated on at this stage for voting purposes. If we realise sufficient funds in the future to enable a dividend to be paid to creditors, then creditors will be notified of same which ordinarily involves a more detailed examination of individual claims prior to be admitting for dividend purposes.

Pursuant to Section 563A of Act we consider that any shareholder claims that arise under these guarantees are likely to be subordinated claims in the Liquidation. In general terms what this means is they will not be entitled to receive dividends until all other debts payable by the Company are satisfied in full.

We are also aware of a number of discrepancies in the records of the Company in respect to the total amount of capital raised, our review of the total amount is hampered by the following reasons:

- Since 2014 the Company failed to update ASIC in respect to shares issued
- The Company's share registry hosted virtually by BoardRoom Ltd does not include the amounts raised per shareholder.

We also note that it appears that the Company did not have sufficient liquid assets to meet the guarantees that were provided should they have been called upon. Whilst our investigations are still continuing, we understand that there were a number of guarantees called upon at different points in time which were not actioned by the Company. We are investigating whether this form of fund raising with guarantees by the Company may amount to a breach of duty by the directors of the Company which is discussed further at Section 3.5.1 of this report.

3 Investigations

3.1 Books and records

Until FY17 the Company complied Annual Financial Statements which were audited by ESV Accountants and Business Advisors (**Audited Financial Statements**). For FY18 to FY20 the Company maintained records in the Xero accounting system (**Management Accounts**). The Company's Xero account has not been updated since 30 June 2020.

The Management Accounts record an expense and corresponding liability for Share Guarantees discussed at 2.2.3 above. The Audited Financial Statements do not contain this expense or liability. For comparison purposes in table 3.2 below we have removed the share guarantee expense and liability.

Audit Reports

The FY15 audit report (dated 23 June 2016) is unqualified however contains a significant note in relation to whether the accounts should be prepared on a going concern basis and related party loan receivables.

The FY16 audit report (dated 8 April 2019) is qualified. The qualification relates to recoverability of related party loans. It contains an emphasis of matter in relation to material uncertainty about going concern.

The FY17 audit report (dated 4 July 2019) contains a disclaimer of an opinion. The disclaimer relates to lack of evidence to support creditors, accruals, expenses, employee benefit expenses and related party loans. It contains an emphasis of matter in relation to material uncertainty about going concern.

There have been no subsequent audited financial statements.

From early 2019 ASIC sought enforcement of the Company's obligation to lodge financial statements. The Company pleaded guilty to failure to lodge FY16 and FY17 financial statements on 5 July 2019. Proceedings were commenced regarding the FY18 financial statement in November 2019 and notices were sent about the FY19 accounts in 2020.

Other concerns

We have a number of other concerns about the Company's books and records:

- The Company's management and employees do not agree with their remuneration amounts with management indicating that remuneration increases were given without authority
- In FY18 the Company's began using personal bank accounts of directors for Company transactions rather than Company bank accounts
- Xero account reconciliations were completed by management individually
- Since 20 October 2014, the Company has not notified ASIC of any share issuances
- The share register does not include information regarding the consideration paid for each transaction
- We have not been provided with source documents to explain transactions recorded in the Company's Xero.

We have issued demands for books and records pursuant to Section 530B of the Act to a number of parties including:

- The eight different law firms who have acted for the Company in various actions
 - DCC, Gupta & Co Pty Ltd, Wrays, Deutsch Miller, Norton Rose Fulbright, Atanaskovic Hartnell, Sparke Helmore and Siberstein & Associates
- The Auditor, ESV Accounting
- The directors.

A number of parties have advised that they hold hard copy records and due to the NSW COVID-19 lockdowns, have been unable to review the records and respond to our demand. We anticipate that these parties will be able to provide formal responses shortly on the lifting of the lockdown.

As noted in previous reports, we instructed the PwC Forensics team to image and uplift the various services and other computer peripherals used by the Company on our appointment. To date we have undertaken limited targeted searching on the Company's server for key documents concerning the intellectual property assets. As part of our future investigations, we consider there will be utility in uploading this data into a document management system in order to carry out detailed investigations however there are significant costs associated with this and as noted the Company is presently without any funds. Please see section 5 of this report regarding funding initiatives we have undertaken to date.

Section 286 of the Act requires directors to keep financial records that correctly record and explain a company's transactions and financial position, and would enable true and fair financial statements to be prepared and audited.

As noted by the disclaimer of opinion in for the FY17 Audited Financial Statements it is clear that by 4 July 2019 (more than two years after the end of the period audited) the auditors had been unable to obtain evidence to support the Company's records. In our opinion the Company did not keep adequate books and records from 30 June 2017.

Failure to maintain books and records may give rise to a presumption of insolvency pursuant to Section 588E of the Act.

3.2 Historical financial position and performance

The Company's financial position and performance is summaries in the below table:

Table 3.2	Audited Financial Statements				Management Accounts*		
	As at	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19
Current assets	690,690	1,141,897	1,355,637	60,312	2,931,967	3,566,968	3,947,751
Current liabilities	704,831	980,200	2,105,524	2,905,059	4,583,347	5,675,945	7,187,923
Total assets	1,184,715	2,001,857	2,678,008	1,308,315	4,387,049	5,250,151	5,680,640
Total liabilities	746,514	1,040,059	2,171,016	2,970,561	4,622,627	5,745,196	7,268,678
Working Capital	(14,141)	161,697	(749,887)	(2,844,747)	(1,651,380)	(2,108,977)	(3,240,172)
Liquidity Ratio	0.98	1.16	0.64	0.02	0.64	0.63	0.55
Net assets	438,201	961,798	506,992	(1,662,246)	(235,578)	(495,045)	(1,589,038)
Net profit	(1,843,000)	(2,308,949)	(3,594,000)	(3,873,352)	(1,231,049)	(3,199,763)	(2,276,467)

As noted in the audit reports the Company was in pre revenue stage and recorded losses in each FY above. The only revenue recorded was R&D tax rebates. As noted above R&D rebates had previously been applied in reduction of other outstanding taxes and were not a source of cash inflow. Further no rebates were received after 2017 as tax lodgements were not up to date and the Company's eligibility for R&D rebates was in issue.

The Company had a deficiency in working capital from FY16 and a deficiency in net assets from FY17.

3.3 Solvency

A company is insolvent if it is unable to pay its debts as and when they become due and payable. Liquidators are required to demonstrate that a company is insolvent in order to pursue certain recovery proceedings.

Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

Methods of testing solvency include the Cash Flow Tests and the Balance Sheet Tests. Cashflow tests are most closely aligned with the definition of insolvency and balance sheet tests help distinguish insolvency from temporary lack of liquidity.

Cash flow tests

Cash flow tests determine whether a company can raise sufficient funds within a period of time to pay its liabilities which become due and payable during that period.

Working capital (current assets less current liabilities) is often used as a cashflow test. As noted in Table 3.2 the Company had a deficiency in working capital from and a liquidity ratio (Current assets/current liabilities) of less than one from FY16. A liquidity ratio of less than one indicates a company will have difficulty paying its debts as they fall due. We have not reduced current assets for amounts that do not appear to meet the definition of current assets particularly R&D rebates, as they remain unrealised. If we did so the liquidity ratio would be critically low.

The Company has no revenue from operations and relied on new share investments to pay its debts as they fell due. We have analysed the Company's cash inflows and outflows by eliminating non-cash items (depreciation, R&D rebates, shareholder guarantees). In each FY18 to 21 the amount of new capital received from shareholders was less than the expenses incurred during the FY. In our opinion the Company did not have sufficient cash inflow from shareholders to pay its debts as they fell due from at least 1 July 2017.

Balance Sheet Test

The Balance Sheet Test determines whether a company can pay all of its debts by realising all of its assets.

Table 3.2 above notes that the Company had a net asset deficiency for the period 30 June 2017 to our appointment. This deficiency arises without considering the shareholder guarantee liability recorded in the Management Accounts as exceeding \$61m in FY20. In our opinion this novel liability is incurred at the time of executing the guarantee and becomes due if certain conditions are met (the conditions differing in each guarantee). In light of our conclusion regarding cashflow and net assets there can be little doubt that in the event the shareholder guarantees became due that the Company would be unable to pay them.

Other Indicators of Insolvency

Determining whether a company is insolvent (and the date at which insolvency occurred) is often difficult and is ultimately a matter for the courts to decide. The courts have identified fourteen general indicators of insolvency that are considered further in ASIC Regulatory Guide 217.

Our investigations to date have identified that 9 of these indicators apply to the Company, or may apply, to the Company, as summarised on the following page:

<i>Indicator</i>	<i>Present</i>	<i>Comment</i>
<i>Continuing trading losses</i>	Yes	The Company incurred trading losses from inception
<i>Liquidity ratio below one</i>	Yes	The Company had a liquidity ratio of less than 1 from at least 30 June 2016 onwards
<i>Overdue Commonwealth and state taxes</i>	Yes	The Company has had significant ATO debts for several years
<i>Poor relationship with borrower/financier including inability to borrow additional funds</i>	No	We are not aware that the Company had a poor relationship with their financiers
<i>No access to alternative finance</i>	No	We are not aware whether the Company had access to further finances
<i>Inability to raise further equity</i>	No	The Company was able to raise further equity to the date of our appointment however we note that the Company was subject a Freezing Order at the time
<i>Supplier placing debtor on COD terms, otherwise demanding special payments before resuming supply</i>	Yes	We understand that the Company's patent attorneys required upfront payments, and payments on historical debts before they commenced any work
<i>Creditors outside trading terms</i>	Yes	The management accounts indicate that a majority of its creditors were outside of trading terms
<i>Issuing of post-dated cheques</i>	N/A	The Company did not use cheques
<i>Dishonoured cheques</i>	No	We have not sighted any dishonoured cheques

<i>Special arrangements with selected creditors</i>	Yes	We understand that the Company's patent attorneys required upfront payments, and payments on historical debts before they commenced any work
<i>Legal action threatened or commenced, or judgements entered against the company</i>	Yes	There were various proceedings commenced against the Company including the ATO, ASIC and former employees
<i>Payments to creditors of rounded figures, which are irreconcilable to specific invoices</i>	Yes	We understand that the Company's patent attorneys required upfront payments, and payments on historical debts before they commenced any work
<i>Inability to produce timely and accurate financial information to display the Company's trading performance and financial position, and make reliable forecasts</i>	Yes	The Company appears to have not maintained accurate records and financial information.

Solvency Conclusions

We consider that the Company may be presumed to be insolvent by reason of its failure to keep proper books and records from 30 June 2017.

The Company had insufficient cashflow to pay its debt as the fell due from 1 July 2017. The Company had a deficiency in net assets from 30 June 2017. We have identified 9 other indicators of insolvency. Accordingly, our preliminary view is that the Company was insolvent from at least 1 July 2017.

3.4 Insolvent trading

A director who fails to prevent a company from incurring debt at a time when there are reasonable grounds for suspecting the company is insolvent, or will become insolvent by incurring that debt, contravenes section 588G of the Act and may be liable to compensate the company.

We have concluded that there are claims that a liquidator could pursue against the Directors in respect of debts incurred after 30 June 2017. For the purposes of this report, we have not yet calculated quantum of the loss suffered by the company however we expect it will be significant having regard to the outstanding liabilities and quantum of shareholder guarantees incurred after this date.

We note that we expect to have an insolvent trading claim against all Directors who were appointed to the Board from 1 July 2017 which will include the now former Directors, and potentially Mr Bradley, if our investigations indicate that he acted as a shadow director. This is discussed further at Section 3.6.4 below.

We have conducted property searches on the directors that may be liable for an insolvent trading action. At this stage, we note that only Mr Mount appears to have real property interests in Australia. We note that we have not yet undertaken any searches on the directors that are not domiciled in Australia.

We understand that the ATO has issued Director Penalty Notices (**DPNs**) to all current and former directors for unremitted PAYG and SGC amounts. We note that the ATO's action is separate to any liquidator's action and any amounts recovered by the ATO are not assets in the liquidation but would reduce the debt owing by the Company to the ATO. We will update creditors in due course on the results of our investigations and whether it would be commercial to bring any claims for insolvent trading.

3.5 Possible recoveries – voidable transactions

Liquidators are able to recover certain transactions entered into by the Company prior to its winding up. These transactions are commonly known as ‘voidable transactions’.

Pursuant to Part 5.7B of the Act, we have considered the following possible voidable transactions:

- unfair preferences
- uncommercial transactions
- unfair loans
- unreasonable director-related transactions
- fraudulent dispositions.

We have identified a number of potential actions by the Company that appear to be voidable transactions however our investigations are ongoing in respect to these potential recoveries.

3.5.1 Unreasonable director related transactions and uncommercial transactions

Use of personal accounts

Our investigations indicate that Mr Bradley and Mr Mount have used various personal accounts to conduct the Company’s transactions. We have been advised by management that this process was adopted in response to various garnishee claims made by creditors to the Company’s bank accounts.

We have calculated that the following amounts were raised each year from shareholders:

<u>Year</u>	<u>Amount (\$)</u>
FY18	2,661,105
FY19	2,662,660
FY20	957,858
FY21	778,173
	7,059,796

We have conducted an analysis on two of the Company’s bank statements that we have in our possession. Our analysis indicates that:

- Investors deposited funds into the Company’s bank account
- The Company then transferred those funds to a second Company account, a superannuation account or another personal account of Mr Bradley or Mr Mount
- There were circa \$70k of transfers to an unknown CBA account. We intend to conduct traces on these payments
- The funds in the second Company account were used for business and personal expenses
- From 22 July 2020 to our appointment only \$97k out of the \$704k of transactions appear to be business related transactions.

Our discussions with management and the internal accountants indicated that the Company’s process once the payments were made to the superannuation account or personal accounts of Mr Bradley or Mr Mount was that:

- Mr Bradley and/or Mr Mount would then use the funds in these accounts to pay the Company’s expenses
- Any balance leftover in these accounts would be reconciled and added to a loan account or recorded as salary.

We have significant concerns in respect to this practice as there appears to have been minimal controls in place in respect to how the funds were used and appears to have been at Mr Mount and/or Mr Bradley’s discretion. Further, we understand that the reconciliation of the transactions in the accounts were done manually by Mr

Mount and/or Mr Bradley and accordingly we have concerns that the transactions were being recorded correctly.

We note that we have requested Mr Bradley and Mr Mount provide details of all personal accounts used in the operation of the Company however the response is pending as per the date of this report. Once we have obtained bank statements it may be necessary to conduct a tracing of various payments to determine whether any claims exist.

Payment of personal liabilities with Company funds

Our investigations indicate that there were a number of personal transactions paid from the 'Company's accounts', albeit in the name of Mr Mount or Bradley. For example, a review of Mr Mount's Westpac statements for the period 6 April 21 to 7 July 2021 revealed the following:

- \$37,235 paid in relation to the St Ives property, including rent and property related expenses
- Circa \$6,000 paid to Mr Mount's home loan.

As noted earlier, the Company's practice of transferring Company funds into personal bank accounts of Mr Bradley and Mr Mount is highly irregular and is a key area of focus for our on-going investigations. Once we obtain full sets of bank accounts for Mr Bradley and Mr Mount we proposed to conduct further investigations.

Payment of Mr Bradley's rent

We understand that the Company paid the rent for a property in St Ives that Mr Bradley and his wife lived in for the past two years. We understand that Mr Mount also lives at the property when he is in Sydney.

The Company paid for rent, electricity, gas and swimming pool maintenance. Mr Bradley further indicated that this arrangement was governed by an agreement between him and the Company, and that it was done to reduce the Company's travel expenses when Mr Mount travelled to Sydney.

We are unable to fully quantify this claim due to inadequate records kept by the Company and will update creditors in due course as our investigations progress.

Management wages

We intend to undertake further investigations in respect to the wages earned by various management and directors. As the Company had not generated any meaningful revenue being, in a research and development, pre-commercialisation phase, we intend to examine whether certain transactions involving directors and management were reasonable including but not limited to:

- Mr Bradley's wages of \$420,000 earned prior to 2018 whilst also accruing various loans over the same period to various sources:
 - Mark Bradley - \$576,805
 - ETL Australia - \$303,118
 - M&V Bradley Trust - \$230,523
- The director fees paid in FY19 of \$322k.

Capital raising

Capital raising by providing guarantees to shareholders is highly irregular and may be unlawful. We note ASIC has conducted detailed investigations into the Company's capital raising practices and identified a large number of breaches by the Company including but not limited to:

- Offering securities for issue without providing disclosure to investors
- Offering guarantees without the means to meet same
- Failure to respond to requests to action guarantees

- Failure to update ASIC of changes in share capital.

As discussed earlier, the Company has primarily raised capital via issuing shares to the public on terms set out in a “Share Issue Agreement”, which includes a “share buy-back guarantee” to fund the ongoing expenses of the Company. These buy-back guarantees contained a guarantee that the Company will purchase the shares from the investor at a significantly increased amount after a certain period of time and generally if certain events do not occur within a particular timeframe (such as an initial public offering or a buyout by a third party).

The term of the guarantees and rates of return guaranteed appear to differ greatly between shareholders. Based on our initial review we consider these practices are likely to constitute a breach of directors’ duties with the loss suffered by the Company equating to the value of claims ultimately payable by the Company.

3.5.2 Unfair preferences

Certain transactions can be deemed unfair preference payments pursuant to Section 588FA of the Act. Generally the period of examination is limited to six months prior to the liquidation commencing however liquidators are able to go back up to 4 years if transactions involve related parties. Our review of company banking records for the period commencing six months prior to the liquidation has not identified any large out of character payments however we note the Company’s practices of using personal bank accounts of Mr Bradley and Mr Mount for which we have incomplete records.

Commercial considerations

Our investigations regarding various potential voidable transactions and Company’s affairs are ongoing but creditors should note that recovery actions may be expensive and lengthy with uncertain outcomes. Any recovery actions should not be commenced unless defendants have the financial resources to satisfy any judgment which is often difficult to establish.

As noted earlier, Mr Bradley is an undischarged bankrupt and any litigation against Mr Bradley is unlikely to generate a return to creditors. In respect of the remaining directors, as noted with the exception of Mr Mount none of them appear to own any real property interests in Australia. In addition, we note our comments in respect to claims being pursued against current and former directors by the ATO.

3.6 Possible misconduct

3.6.1 Breaches of directors’ duties - Sections 180, 181, and 182

Directors have various general duties as officers of the Company under the following Sections of the Act:

- Section 180 – Care and diligence
- Section 181 – Good faith
- Section 182 – Use of position

We consider that a number of the transactions and practices discussed at Section 3.5.1 may also amount to alternative claims for breaches of duties pursuant to Sections 180, 181 and 182 of the Act. As noted earlier, our investigations are ongoing in respect to the Company’s affairs.

3.6.2 Obligations to keep financial records - Section 286

As set out in Section 3.1 of this report, our preliminary investigations indicate that the Company has not maintained records sufficient to comply with Section 286 of the Act.

3.6.3 Failure to obtain shareholder approval for related party transactions

The Company failed to obtain shareholder approval for related party transactions, specifically loans made to Mr Bradley, ETL Australia Pty Limited (**ETL Australia**) and M&V Bradley Trust. ETL Australia is a proprietary company which was incorporated on 22 October 2007 and deregistered on 23 April 2018. Mr Bradley was a director and secretary of ETL Australia from this period and a director of the Company. The Company has loaned money to Mr Bradley and entities related to Mr Bradley without obtaining shareholder approval or notifying its shareholders.

On 30 June 2014, the Company entered into two loan agreements with Mr Bradley and one loan agreement with ETL Australia. These loans are:

- The Company and Mr Bradley for the principal sum of \$255,042
- The Company and Mr Bradley for the principal sum of \$264,194
- The Company and ETL Australia for the principal sum of \$270,795.

On 1 July 2018, the Company entered into a loan agreement with the M&V Bradley Family Trust in which the Company agreed to loan \$960,000. The loan agreement was executed on the day that Mr Mount was appointed as the Company's managing director.

3.6.4 Shadow or deemed director

Mr Bradley may have continued to act as a director after his resignation in October 2018. We note that his resignation was actioned by ASIC to be the date at which he became bankrupt as a bankrupt is unable to be a director of a company pursuant to Section 206B of the Act.

A shadow director can be liable for claims as a formally appointed director would be.

Our investigations are ongoing in respect to this issue however our initial investigations reveal the following matters without limitation:

- Mr Mount and the other directors defer a majority of requests for information to Mr Bradley
- Mr Mount indicated on his ROCAP that Mr Bradley should be the one completing the document
- Mr Bradley advised us that he regularly drafted a majority of communications sent from Mr Mount's email

We intend to continue to investigate this issue going forward and will advise creditors in due course on the results of our investigations.

3.6.5 Reporting to ASIC

A liquidator is required to lodge a report of his findings with ASIC, pursuant to Section 533 of the Act. Creditors should also be aware that any report lodged pursuant to Section 533 is not available to public.

We intend to lodge a report with ASIC in accordance with Section 533 in the near future.

4 Likelihood of a dividend

The likelihood of a dividend being paid to creditors will be affected by a number of factors including:

- the size and complexity of the liquidation
- the amount of assets realisable detailed in this Report and the costs of realising those assets
- the statutory priority of certain claims and costs
- the value of various classes of claims including secured, priority and unsecured creditor claims
- the volume of enquiries by creditors and other stakeholders.

At this stage of the liquidation, we are unable to provide a dividend estimate of any certainty because a lot of assets we are dealing with have estimated values that are not readily available. If a dividend becomes available,

we will advise all known creditors with the estimated amount, timing and detailed process for you to participate.

5 Funding options

As noted in this report and previous reports, the Company is without liquid funds meet significant ongoing external costs of maintaining the patent portfolio and engaging experts and employees to assist in a sale process including but not limited to

- Ongoing renewal fees to maintain the patents as active
- Patent Attorney fees to respond to USPTO Examiners
- Infringement mapping/claim charting experts
- Patent valuation experts
- Patent sale advisor(s)
- Costs related to hosting the Company's server
- Legal costs in respect to various actions.

We have been meeting these costs to date however going forward alternative funding is necessary/desirable. At the date of this report we have not secured any funding however are continuing to pursue a number of enquires with the FEG, litigation funders and creditors discussed below

Attorney General's Department

We have had extensive discussions with the Commonwealth Attorney General's Department at Fair Entitlements Guarantee (**FEG**). FEG have indicated their willingness to consider funding the Company and/or Semantic Technologies, and this will enable us to:

- Meet the various ongoing expenses of the patents registered in the name of Semantic Technologies
- Engage the experts to conduct Phase Two of the infringement mapping/claim charting
- Engage the sales broker/auctioneer to conduct a thorough sales process
- Litigate the Cost Order claims if required.

We anticipate having an indicative offer from FEG in the coming weeks at which point we will advise creditors.

Litigation Funders

We have had a number of discussions with various litigation funders of which we have executed Confidentiality Agreements. They have indicated a willingness to explore funding the liquidation however given uncertainty regarding the value of the patent portfolio have shown little interest at this stage.

Creditors/shareholders

In our Second report to creditors, we asked any creditors that wish to provide funding in this liquidation to contact our office. We have had initial discussions with two creditors, and we have been contacted by lawyers for a self-described group known as "Shareholder Interest Group" who has indicated they may be prepared to provide funding. We understand that the Shareholder Interest Group has raised funds from certain shareholders to retain advisors including Mr Bradley and the Banton Group. We will continue to hold conversations with these groups and update creditors at the forthcoming meeting.

6 Future actions

The strategy for the future conduct of the liquidation is to continue to pursue various options to update funding in this matter to support the strategy to maintain the current patent portfolio whilst pursuing a sale of the patent portfolio. As noted we intend to appoint ourselves liquidators to Semantic Technologies in the near future in order to commence the sale process of these patents. We also intend to continue liaising with experts in relation to infringement mapping and claim chart work, valuation and upcoming sale.

We will continue to progress the Company's cost order claim and loan demands to Mr Bradley and BPH and realise office assets and cash available in the Company's pre-appointment bank accounts.

We will continue to investigate the voidable transactions and potential misconduct identified in this Report and lodge our confidential report with ASIC pursuant to section 533 of the Act.

We will hold the first meeting of creditors and it is our intention to continue to liaise with a COI (on the assumption one is formed) to assist us in the conduct of the liquidation going forward.

We do not expect to have completed this liquidation within a year.

7 Remuneration

It is difficult to estimate our remuneration and expenses in the liquidation given that the scope and complexity of the investigations are ongoing.

We are seeking approval for our remuneration of \$206,782 at the upcoming meeting for the period 15 July 2021 to 25 September 2021.

Attached as **Appendix E** is a detailed report on our remuneration, called a Remuneration Approval Report. We are unable to pay our remuneration without the approval of creditors.

A summary of our remuneration is as follows:

Period	Amount (excluding GST) (\$)
Liquidation	
Resolution 1: Liquidators' fees for 15 July 2021 to 25 September 2021	157,001.50
Resolution 2: PwC Forensics fees for 15 July 2021 to 20 September 2021	49,780.50
Total	206,782.00

8 What to do next?

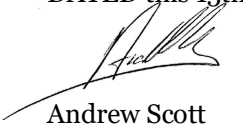
You should now:

- read the attached report
- decide whether you will attend the meeting and
- if attending, complete and return your proof of debt and if required, proxy form.

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

- Australian Restructuring Insolvency and Turnaround Association at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for “insolvency information sheets”).

DATED this 15th day of October 2021



Andrew Scott
Joint Liquidator

Date of appointment: 15 July 2021
Contact name: Vicky Wu
Email: au_semantic@pwc.com

Appendices

Appendix A Notice of meeting of creditors

Appendix B Appointment of proxy forms

Appendix C Proof of debt form

Appendix D Information sheet – Committee of Inspection

Appendix E Remuneration approval report

www.pwc.com.au

Appendix A

Notice of meeting of creditors

NOTICE OF MEETING OF CREDITORS

**SEMANTIC SOFTWARE ASIA PACIFIC LIMITED
(IN LIQUIDATION)
ACN 134 067 691
(the Company)**

NOTICE is hereby given that a meeting of the creditors of the company will be held virtually on 9 November 2021 at 10:00am.

A G E N D A

1. To receive and consider the report from the Joint and Several Liquidators.
2. To fix or determine the remuneration of the Joint and Several Liquidators.
3. To fix or determine the remuneration of the PwC Forensics team.
4. To consider the appointment of a Committee of Inspection.
5. To consider any other business.


Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 and submitted this office with the proof of debt form by 4.00pm on 4 November 2021.

Proxies to be used at the meeting should be given to us 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 (Corporations) ("IPR") 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 IPR 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 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 15th day of October 2021


**Andrew Scott
Liquidator**

Section 75-85 of the Insolvency Practice Rules (Corporations) sets out the entitlement to vote at meetings of creditors:

1. A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
2. Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
3. A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive of the debt or claim:
 - (i) those particulars; or
 - (i) if required—a formal proof of the debt or claim.
4. A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established;unless a just estimate of its value has been made.
5. A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
6. A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

Appendix B

Appointment of proxy form

**APPOINTMENT OF PROXY
CREDITORS MEETING**

**SEMANTIC SOFTWARE ASIA PACIFIC LIMITED
(IN LIQUIDATION)
ACN 134 067 691
(the Company)**

A. Appointment of a proxy

I/We,.....
(If a company, strike out "I" and set out full name of the company)

of
(address)

a creditor of the Company appoint
as my/our proxy, or in his/her absence....., to vote at the meeting of creditors
to be held on 9 November 2021 at 10:00 AM, or at any adjournment of that meeting.

B. Voting directions

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf
(Please proceed to section C ie do not complete the table below)

and/or

Option 2: If appointed as a special proxy in the manner set out below:
(Please complete the table below before proceeding to section C)

	For	Against	Abstain
Resolution 1 To approve the Liquidators' remuneration for the period 15 July 2021 to 25 September 2021 of \$157,001.50 plus GST as set out in the Remuneration Approval Report dated 15 October 2021 to be paid from available funds immediately or as funds become available.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 To approve the Forensics' remuneration for the period 15 July 2021 to 20 September 2021 of \$49,780.50 plus GST as set out in the Remuneration Approval Report dated 15 October 2021 to be paid from available funds immediately or as funds become available.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 To appoint a Committee of Inspection.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Signature (in accordance with Sections 127 or 250D of the Corporations Act 2001)

If the creditor is an individual

.....

If the creditor is a Company

.....

Director/Company Secretary

.....

Print name

DATED this day of 2021

CERTIFICATE OF WITNESS

Please note: This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

Iof
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.

Signature of Witness:

Place of residence:

Dated:

Appendix C

Proof of debt form

FORM 535

FORMAL PROOF OF DEBT OR CLAIM

To the Joint and Several Liquidators of Semantic Software Asia Pacific Limited (In Liquidation) ACN 134 067 691 (the Company)

1. This is to state that the company was, on 15 July 2021 and still is, justly and truly indebted to:

.....('Creditor')
(name of creditor)

.....
of (full address)

for \$.....(amount inclusive of GST)

Particulars of the debt are:

Date <i>(when the debt arose)</i>	Consideration <i>(how debt arose and attach supporting documentation)</i>	Assigned debt <i>(was this debt assigned to you?)</i>	Amount \$ <i>(if an assigned debt, the consideration paid)</i>

I have attached the following documents to substantiate my claim (*tick as many as appropriate*):

- Invoices Judgement from Court Letters of demand Orders from Company
 Monthly statements Statutory demand Credit application Guarantee from Company
 Assignment of debt Other – please specify.....

2. To my knowledge or belief the Creditor has not, nor has any person by the Creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:

(Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form)

Date	Drawer	Acceptor	Amount A\$	Due Date

3. Select one of the following options:

- I am **not** a related creditor of the Company
 I am a related creditor of the Company (eg director, relative of director, related company)

4. Signatory (*select one of the following options*)

- I am the Creditor personally.
 I am employed by the Creditor and authorised in writing by the Creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.
 I am the Creditor's agent authorised to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

Signature: Address:

Name: Phone number:

FUTURE COMMUNICATION BY EMAIL

Do you elect to receive electronic notification of future notices and documents from this office by email in accordance to Section 600G of the Corporations Act 2001?

- Yes, send all future notices to this email address:
 No

Appendix D
Inspection

Information sheet – Committee of

Information Sheet: Committees of Inspection

You have been elected to be, or are considering standing for the role of, a member of a Committee of Inspection (COI) in either a liquidation, voluntary administration or deed of company arrangement of a company (collectively referred to as an external administration).

This information sheet is to assist you with understanding your rights and responsibilities as a member of a COI.

What is a COI?

A COI is a small group of creditors elected to represent the interests of creditors in the external administration. The COI advises and assists the external administrator and also has the power to approve and request certain things – this is discussed in more detail below.

Membership of the COI is a voluntary, unpaid position.

Who can be elected to a COI?

To be eligible to be appointed as a member of a COI, a person must be:

- A creditor
- A person holding the power of attorney of a creditor
- A person authorised in writing by a creditor; or
- A representative of the Commonwealth where a claim for financial assistance has, or is likely to be, made in relation to unpaid employee entitlements.

If a member of the COI is a company, it can be represented by an individual authorised in writing to act on that creditor's behalf. It also allows the creditor to maintain its representation if a change in the individual is required

A COI usually has between 5 and 7 members, though it can have more, or less, depending on the size of the external administration.

A member of a COI can be appointed by:

- resolution at a meeting of creditors
- an employee or a group of employees owed at least 50% of the entitlements owed to employees of the company
- a large creditor or group of creditors that are owed at least 10% of the value of the creditors' claims,

If an employee or group of employees, or a large creditor or group of creditors, appoints a member to the COI, they cannot vote on the general resolution of creditors to appoint members to the COI. Each of these groups also have the power to remove their appointed member of the COI and appoint someone else.

If you are absent from 5 consecutive meetings of the COI without leave of the COI or you become an insolvent under administration, you are removed from the COI.

What are the roles and powers of a COI?

A COI has the following roles:

- to advise and assist the liquidator, voluntary administrator or deed administrator (collectively referred to as the external administrator)
- to give directions to the external administrator
- to monitor the conduct of the external administration.

In respect of directions, the external administrator is only required to have regard to those directions. If there is a conflict between the directions of the COI and the creditors, the directions of the creditors prevail. If the external administrator chooses not to comply with the directions of the COI, the external administrator must document why.

A COI also has the power to:

- approve remuneration of the external administrator after the external administrator has provided the COI with a Remuneration Approval Report (a detailed report setting out the remuneration for undertaking the external administration)
- approve the use of some of the external administrator's powers in a liquidation (compromise of debts over \$100,000 and entering into contracts over 3 months)
- require the external administrator to convene a meeting of the company's creditors
- request information from the external administrator
- approve the destruction of the books and records of the external administration on the conclusion of the external administration
- with the approval of the external administrator, obtain specialist advice or assistance in relation to the conduct of the external administration
- apply to the Court for the Court to enquire into the external administration.

An external administrator is not required to convene a meeting of creditors if the request by the COI is unreasonable, or provide requested information if the request is unreasonable, not relevant to the administration or would cause the external administrator to breach their duties.

A request to convene a meeting of creditors is unreasonable if:

- it would substantially prejudice the interests of a creditor or third party
- there are insufficient funds in the external administration to cover the cost of the request
- a meeting of creditors dealing with the same matters has already been held or will be held within 15 business days, or
- the request is vexatious.

If a request for a meeting is reasonable, the external administrator must hold a meeting of creditors as soon as reasonably practicable.

A request for information is unreasonable if:

- it would substantially prejudice the interests of a creditor or third party
- the information would be subject to legal professional privilege
- disclosure of the information would be a breach of confidence
- there are insufficient funds in the external administration to cover the cost of the request
- the information has been provided or is required to be provided within 20 business days, or
- the request is vexatious.

If the request for information is not unreasonable, the external administrator must provide the requested information within 5 business days, but the law provides for further time in certain circumstances.

An external administrator must inform the COI if their meeting or information request is not reasonable and the reason why.

How does the COI exercise its powers?

A COI exercises its powers by passing resolutions at meetings of the COI. To pass a resolution, a meeting must be convened and a majority of the members of the COI must be in attendance.

A meeting is convened by the external administrator by giving notice of the meeting to the members of the COI. Meetings of the COI can be convened at short notice. The external administrator must keep minutes of the meeting and lodge them with ASIC within one month of the end of the meeting.

ASIC is entitled to attend any meeting of a COI.

What restrictions are there on COI members?

A member of a COI must not directly or indirectly derive any profit or advantage from the external administration. This includes by purchasing assets of the company or by entering into a transaction with the company or a creditor of the company. This prohibition extends to related entities of the member of the COI and a large creditor(s) that appoints a member to the COI.

Creditors, by resolution at a meeting of creditors, can resolve to allow the transaction. The member of the COI or the large creditor(s) that appoints a member to the COI is not allowed to vote on the resolution.

Where can you get more information?

The Australian Restructuring Insolvency and Turnaround Association (ARITA) provides information to assist creditors with understanding external administrations and insolvency. This information is available from ARITA's website at www.arita.com.au/creditors.

ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at www.asic.gov.au (search "insolvency information sheets").

**For more information, go to www.arita.com.au/creditors.
Specific queries about the liquidation should be directed to the liquidator's office.**

Appendix E

Remuneration approval report

Semantic Software Asia Pacific Limited (In Liquidation)

ACN 134 067 691

Remuneration Approval Report

15 October 2021



This Remuneration Approval Report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration.

You should read this Report, the accompanying Report to Creditors and the other documentation that we have sent you.

1 Declaration

We, Andy Scott and Martin Ford have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Liquidators of Semantic Software Asia Pacific 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 in the conduct of the liquidation.

2 Executive Summary

To date, no remuneration has been approved and paid in this liquidation.

This remuneration report details approval sought for the following fees:

Period	Report reference	Amount (ex GST)
Current remuneration approval sought:		
Resolution 1: Liquidators' fees for 15 July 2021 to 25 September 2021	Schedule A1 & B1	\$157,001.50
Resolution 2: PwC Forensics' fees for 15 July 2021 to 20 September 2021	Schedule A2 & B2	\$49,780.50
Total current remuneration approval sought		\$206,782.00

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

3 Remuneration

3.1 Remuneration

We will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are included in section 3.2 and attached schedules.

Resolution 1

To approve the Liquidators' remuneration for the period 15 July 2021 to 25 September 2021 of \$157,001.50 plus GST as set out in the Remuneration Approval Report dated 15 October 2021 to be paid from available funds immediately or as funds become available.

At this stage we are not seeking approval of future remuneration as we are unable to reliably estimate our future costs.

Resolution 2

To approve the Forensics' remuneration for the period 15 July 2021 to 20 September 2021 of \$49,780.50 plus GST as set out in the Remuneration Approval Report dated 15 October 2021 to be paid from available funds immediately or as funds become available.

Throughout our appointment, we have engaged PwC Forensics team to assist with interrogating large amount of data and records obtained in the liquidation in preparation for our investigations and reports.

At this stage we are not seeking approval of future remuneration for forensics' services as we are unable to reliably estimate forensics future costs.

Where funds are available, we will usually pay approved remuneration at intervals not less than one month. Where funds are not available, remuneration will not be paid.

3.2 Details of remuneration

The basis of calculating the remuneration claims is summarised at **Schedules A1** and **A2**.

The details of the major tasks performed and the costs associated with each of those major tasks are contained at **Schedules B1** and **B2**.

3.3 Total remuneration reconciliation

At this point in time, we estimate that the total remuneration for the liquidation will be \$400,000 (plus GST). This revised estimate differs to the original estimate provided in the Initial Remuneration Notice dated 21 July 2021, which estimated the cost of the liquidation to be within a range of \$150,000.00 to \$300,000.00 (plus GST) for the following reasons:

- Time spent on securing and dealing with the Company's books and records
- Time spent on dealing with the Company's patent portfolio
- Liaising with multiple experts in relation to the Company's assets
- Investigating the Company's financial affairs, including various voidable transactions and misconduct identified
- Time spent drafting and issuing three reports
- Dealing with creditor enquiries, including employee related issues
- Undertaking preliminary review of creditor and shareholder claims.

Please note that we have included a discount of \$27,914 in respect to our fees as Liquidators for the benefit of creditors.

PwC Forensics

We have engaged PwC Forensics team to assist with the imaging, interrogating and preserving of 3 servers and various other computer peripherals containing large amounts of data. Further details regarding specific tasks performed as set out later in this report. We are now seeking approval for their fees to date. Please note that we have included a discount \$11,740.50 in respect to the fees of the PwC Forensics team.

3.4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the company, and it provides for remuneration of the liquidator to be paid in priority to other claims. This ensures that when there are sufficient funds, the liquidator receives payment for the work done to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve our remuneration, this does not guarantee that we will be paid, as we are only paid if sufficient assets are recovered.

The likelihood of a dividend being paid to creditors will be affected by a number of factors including:

- the size and complexity of the liquidation
- the amount of assets realisable detailed in this Report and the costs of realising those assets
- the statutory priority of certain claims and costs
- the value of various classes of claims including secured, priority and unsecured creditor claims
- the volume of enquiries by creditors and other stakeholders.

At this stage of the liquidation, we are unable to provide a dividend estimate of any certainty because a lot of assets we are dealing with have estimated values that are not readily available. If a dividend becomes available, we will advise all known creditors with the estimated amount, timing and detailed process for you to participate.

3.5 Remuneration recovered from external sources

We have not received any funding from external sources for my remuneration.

4 Disbursements

Disbursements are divided into three types:

- **External professional services** - these are generally recovered at cost. An example of an external professional service disbursement are the various costs of engaging experts in respect of this matter. Further details are discussed below
- **External non-professional costs** – these are generally recovered at cost. Examples of external non-professional costs are travel, filing fees, renewal fees in respect of the IP, accommodation and search fees.
- **Firm non-professional 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.

To date we have incurred and paid the following external professional services and external non-professional costs in this matter:

Disbursements Paid	\$
Filing fees for Costs Order Claim	11,849.74
Renewal Fees for patents	8,657.00
Attorney Fees for patent responses	22,000.00
Total	42,506.74

As noted in this report we are seeking various sources of funding from creditors and other third parties to meet the various future costs for work streams associated with the patents. Whilst funding of the above categories of disbursements is being met by us at this stage, in the event funding is not able to be secured in the near future we will need to reconsider funding going forward absent some form of remuneration premium being approved by creditors to align with the risks associated with funding from our own resources. We will provide an update to creditors on funding options at the forthcoming meeting of creditors however we don't propose to put any formal resolutions to creditors at this meeting absent notice being provided.

In general terms we are not required to seek approval from creditors for costs paid to third parties or for disbursements where we are recovering a cost incurred on behalf of the liquidation, however as noted above should we be unable to secure external funding to meet these costs then we will consider whether appropriate to seek some form of additional remuneration arrangement with creditors on account of the risks associated with meeting these external costs from our own resources.

We have undertaken a proper assessment of disbursements claimed for the Company, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

From 1 September 2017, we are required to obtain creditor approval for the payment of internal disbursements where there is a profit or advantage prior to these disbursements being paid from the liquidation. We will not be seeking approval for these internal disbursements prior.

4.1 Future basis of internal disbursements (if required)

Future disbursements incurred by our firm will be charged to the administration on the following basis:

Disbursements	Rate (ex GST)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements	
Staff vehicle use	65 cents per kilometre for first 150 km of return trip and 40 cents per kilometre thereafter

5 Summary of receipts and payments

There has been no receipts and payments up to the date of this report.


6 Queries

Please email au_semantic@pwc.com should you have any further queries or require any further information.

You can access additional information on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for “insolvency information sheets”).

DATED this 15th day of October 2021


Andy Scott
Liquidator

Schedule A1: Resolution 1

Semantic Software Asia Pacific Limited (In Liquidation) ACN 134 067 691

For the period 15 July 2021 to 25 September 2021

Employee	Position	\$/hours	Total Actual	Total	Assets		Creditors		Employees		Investigations		Administration	
		(Ex GST)	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Andy Scott	Appointee	720.00	49.5	35,640.00	7.0	5,040.00	3.3	2,376.00	2.2	1,584.00	33.5	24,120.00	3.5	2,520.00
Martin Ford	Appointee	720.00	4.0	2,880.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	4.0	2,880.00
Robert Ditrich	Partner	720.00	0.1	72.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.1	72.00
Nick Charlwood	Senior Manager	560.00	105.1	58,856.00	40.9	22,904.00	16.2	9,072.00	7.9	4,424.00	30.3	16,968.00	9.8	5,488.00
Joanne Chu	Senior Consultant	425.00	94.9	40,332.50	21.6	9,180.00	27.4	11,645.00	11.1	4,717.50	33.2	14,110.00	1.6	680.00
Vicky Wu	Senior Consultant	425.00	39.0	16,575.00	0.7	297.50	9.0	3,825.00	1.9	807.50	16.4	6,970.00	11.0	4,675.00
Joseph Le, Josie Conti & Sonal Kumar	Specialist	180.00	6.5	1,170.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	6.5	1,170.00
Victoria Nolan	Administration Support	180.00	8.2	1,476.00	0.0	0.00	0.6	108.00	0.2	36.00	3.2	576.00	4.2	756.00
Total			307.3	157,001.50	70.2	37,421.50	56.5	27,026.00	23.3	11,569.00	116.6	62,744.00	40.7	18,241.00
GST				15,700.15										
Total (Including GST)				172,701.65										

Schedule A2: Resolution 2

Semantic Software Asia Pacific Limited (In Liquidation)
ACN 134 067 691

For the period 15 July 2021 to 20 September 2021

Employee	Position	\$/hours	Total Actual	Total
		(Ex GST)	Hrs	\$
Martin Sisk	Director	625.00	1.00	625.00
David Dixon	Senior Manager	560.00	9.10	5,096.00
Bevan Forbes	Senior Manager	560.00	43.20	24,192.00
Scott Monagle	Senior Associate	425.00	15.70	6,672.50
Shenae Lyons	Associate	350.00	37.70	13,195.00
Total			106.7	49,780.50
GST				4,978.05
Total (Including GST)				54,758.55

Schedule B1

Resolution 1

The below table provides a description of the work undertaken in each major task area for the period 15 July 2021 to 25 September 2021.

Task Area	General description	Includes
	Plant and equipment	<ul style="list-style-type: none"> Liaising with landlord and security personnel for office access Recovering plan and equipment from the Company's premises Liaising with auctioneer regarding removal of assets and realisation plan
	Debtors	<ul style="list-style-type: none"> Preparing and issuing demand letters Review ledgers for related party loan accounts Discussions with management in respect to related party loan accounts Ongoing review of correspondence in respect to related party loan accounts
Assets		
70.2 hours		
\$37,421.50		
	Other assets (Patents, Cost Orders)	<ul style="list-style-type: none"> Liaising with multiple valuers, brokers and interested parties regarding the Company's patent portfolio Liaising with CPA Global regarding renewal of patents Liaising with lawyers regarding response due to the United States Patent and Trademark Office Investigating patents identified Maintaining patents register Liaising with employees, management and inventors in respect to the patents Liaising with various infringement mapping experts Preparing collateral and engaging with infringement mapping experts Review proposals from infringement mapping experts and approve Review initial Phase One infringement mapping report Attend phone calls with infringement mapping experts to discuss the patents and the steps required to complete the review Investigations into the ownership of the patents Attending to payments regarding patents and cost orders Liaising with lawyers regarding cost orders Reviewing and discussing realisation strategy Investigating commerciality of R&D grants Requesting CBA to transfer funds from pre-appointment bank accounts
Creditors	Creditor enquiries	<ul style="list-style-type: none"> Dealing with creditor and shareholder enquiries, including responding to emails, telephone calls and letters Maintaining creditor's claim register
56.5 hours		
\$27,026.00	Secured creditor reporting	<ul style="list-style-type: none"> Notifying PPSA registered creditors with appointment

Task Area	General description	Includes
		<p>Liaising with PPSA registered creditors and reviewing documents received</p> <p>Considering discharge statements received</p> <p>Responding to PPSA registered creditor enquiries</p>
	Creditor reports	<p>Preparing and issuing initial notice to creditor</p> <p>Preparing and issuing second report to creditors</p> <p>Preparing and issuing Liquidators Statutory Report to Creditors</p>
	Dealing with proofs of debt	<p>Reviewing and maintaining PODs received when not related to a dividend</p> <p>Correspondence with the ATO regarding POD when not related to a dividend</p>
Employees 23.3 hours \$11,569.00	Employee enquiries	<p>Notifying employee with appointment and issuing letter to formally terminate employees</p> <p>Dealing with employee enquiries</p> <p>Liaising with former employees regarding the Company's financial affairs and patents</p> <p>Reviewing and responding to employee and their representative's correspondence</p> <p>Investigating employee's outstanding employee entitlements</p>
	Fair Entitlements Guarantee	<p>Corresponded with Fair Entitlements Guarantee regarding the Company's books and records</p>
Investigation 116.6 hours \$62,744.00	Conducting investigation	<p>Conducting various searches regarding the Company, related entities and directors</p> <p>Collecting and reviewing the Company's books and records</p> <p>Analysing the Company's books and records, including but not limited to financial statements, patents related documents and bank statements</p> <p>Preparing preliminary investigation and solvency memo</p> <p>Investigating voidable transactions</p> <p>Investigating misconduct</p> <p>Liaising with ASIC and ATO for additional information and documents</p> <p>Reviewing documents provided by ASIC, auditors and other third parties</p> <p>Issuing correspondence to third parties requesting further information and documents</p> <p>Preparing comparative financial statements and calculating solvency related ratios</p> <p>Reviewing various shareholder agreements</p> <p>Search of books and records for additional information</p> <p>Liaising with directors regarding outstanding ROCAP</p> <p>Liaising with Fair Entitlements Guarantee on potential funding</p>
Administration 40.7 hours	Correspondence	<p>Attending to general correspondence not related to other task areas</p>

Task Area	General description	Includes
\$18,241.00	Document maintenance/file review/checklist	Attending to filing of documents Conducting file reviews and updating checklists
	Insurance	Corresponded with insurer regarding initial and ongoing insurance requirements
	Bank account administration	Maintaining liquidation bank account
	ASIC form	Preparing and lodging relevant ASIC forms
	ATO and other statutory reporting	Notifying ATO of appointment
	Books and records	Liaising with PwC Forensic team regarding the Company's books and records
	Planning / Review	Discussions regarding status of liquidation

Schedule B2

Resolution 2

The below table provides a description of the work undertaken in each major task area for the period 15 July 2021 to 20 September 2021.

Task Area	General description	Includes
Forensics 106.7 hours \$49,780.50	Forensics services	Attending to the premises (5 days were spent by the team onsite imaging data from various servers and peripherals) Collecting electronic devices Liaising with relevant former staff Analysing server environment Accessing and securing data Attending to sorting, extracting, importing and data processing of records received in digital form, physical form, hard drives, email servers Reviewing imaged data Arranging server decommissioning Facilitating server collection Analysing information Investigating potential malware infection Extracting data from server Liaising with PwC staff Correspondence with various parties Dealing with hosting, audit logs, data access request issues Attending internal meetings Investigating Amazon Web Services Investigating and liaising with Rackspace and GoDaddy in respect of domain hosting and email servers Imaging and preserving data, including server data Extracting and delivering documents Migrating data onto relevant platform

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