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Failed training group Careers Australia sent \$40m to owners

Ben Butler, Business reporter, Melbourne

Directors of failed training organisation Careers Australia, led by chairman Bob Mansfield, sent \$40 million to the company's private equity owners in 2015-16, the last year for which accounts are available.

This was on top of \$20.5m in dividends paid to private equity group White Cloud the previous year, and close to \$600,000 in "fees" charged by the group, which operates from Mauritius, Luxembourg, London and Singapore.

The money appears to have been paid via Careers Australia's direct owner, Cirrus Business Investments, registered in Caribbean tax haven the British Virgin Islands.

Corporate records also show Careers Australia gave NAB and Westpac, which it owes \$100m, extra security over its assets just two months ago and issued a mysterious new tranche of shares just a fortnight ago.

On Thursday night, Careers Australia wrote a new chapter in the disaster story of for-profit training in Australia, with directors appointing administrators after the federal government refused to continue funding the group through the student loans scheme.

Some 15,000 students and 1000 staff were left stranded by the move, a product of Education Minister Simon Birmingham's crackdown on the VET FEE-HELP loan scheme and providers following a wave a scams, scandals and collapses.

Adding to the carnage yesterday, Royal Gurkhas Institute of Technology, which has 1400 students across four campuses in Melbourne, Hobart and Sydney, was yesterday deregistered by the Australian Skills Quality Authority. A National Audit Office report found the Gurkhas institute's loan revenue grew by 1000 times in 2013, from \$5300 to \$5.5m.

Meanwhile, Careers Australia's 2015-16 financial results show operating cash flow — the amount of cash spun out by the group's training businesses — was negative \$5.2m in 2016, down from positive \$42.7m the previous year.

The company was also fully drawn down on its \$100m line of credit with Westpac and NAB, with \$55m of the loan due to be refinanced on March 4 this year.

However, Mr Mansfield and the rest of the board decided the company was a going concern — in part because it held federal government contracts to fund 87 per cent of its student revenue.

“The contracts are ongoing and unlikely to be discontinued in the foreseeable future,” directors said in the report, signed by Mr Mansfield on October 4.

“The continuation of this funding is critical for the group to continue as a going concern.”

The company declared a profit of \$17.8m for the year, down from \$38.5m the previous year.

Mr Mansfield is a former non-executive director at Telstra, who holds an Order of Australia for services to business and the economy. Also serving on the board are chief executive Patrick McKendry and three White Cloud partners: Errol Clark, the founder of New Zealand online butcher Gourmet Direct; Jonas Martin-Lof, formerly of Nordea Bank; and Nicholas Watkins, formerly of Lehman Brothers.

Wealthy Swedish investment banker Louise Svanberg, and Richard Gati and Michael Jasansky of Dutch hedge fund BXR, are also directors.

Company documents filed with the Australian Securities & Investments Commission show that on May 12, the company also issued a flood of redeemable preference shares worth about \$23m, but they do not show who received them or why they were issued.

ASIC records also show that on a March 16 shareholders’ meeting it granted extra security over its Australian School of Management to Westpac and NAB.

Administrators David McEvoy and Martin Ford, of PPB, said they had to stand down all staff and suspend all classes while they worked out what to do with the company.

Mr Mansfield could not be reached for comment.