

Freedom Insurance Group Limited (In Liquidation) ACN 608 717 728

STATUTORY REPORT TO CREDITORS

Section 70-50 of the Insolvency Practice Schedule (Corporations) 2016 [IPS-C]
Section 70-40 of the Insolvency Practice Rules (Corporations) 2016 [IPR-C]

DATE OF REPORT

4 May 2020

DATE OF APPOINTMENT

21 February 2020

EXTERNAL ADMINISTRATORS

Joseph Hayes and Andrew McCabe

CONTACT

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Wexted Advisors
Level 12, 28-34 O'Connell Street
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1. Executive Summary

We refer to our appointment as Joint and Several Liquidators of Freedom Insurance Group Limited (In Liquidation) (“the Company”) on 21 February 2020 by resolution of the Company’s members. This report should be read in conjunction with our Report to Creditors dated 28 February 2020 (“First Report”).

This report is mandatory under section 70-40 of the Insolvency Practice Rules (Corporations) 2016 (Cth) (“Rules”). The purpose of the report is to:

- Provide creditors with an update on the progress of the Liquidation; and
- Advise creditors of the likelihood of a dividend being paid in the Liquidation.

Creditors will also recall on 13 February 2020, Joseph Hayes and Andrew McCabe of Wexted Advisors were appointed Joint and Several Liquidators of all six of the Company’s subsidiaries as listed below:

- Insurance Network Services Australia Pty Limited (In Liquidation);
- Freedom Insurance Pty Limited (In Liquidation);
- Freedom Insurance Administration Pty Limited (In Liquidation);
- Customer Contact Pty Limited (In Liquidation);
- Finwealth Holdings Pty Limited (In Liquidation); and
- Spectrum Wealth Advisers Pty Limited (In Liquidation).

As advised in our First Report, the Company was incorporated on 13 October 2015 and is the ASX listed holding entity of the Freedom Insurance Group (“the Group”). We understand the group provided life insurance distribution and administration services as well as financial planning services.

2. Assets and Liabilities

A summary of the assets and liabilities of the Company as at the date of our appointment is set out below.

Description	Report Section	Balance Sheet as at 21-Feb-2020 \$	Expected Realisation \$
Assets			
Cast at bank	2.1	20	20
Insurance recoveries	2.2	1,123	Unknown
Investments in subsidiaries	2.3	992	Unknown
Total assets		2,134	Unknown
Liabilities			
Trade payables	2.4	(29)	(1)
Total liabilities		(29)	(1)
Net Assets		2,106	Unknown

We provide the following commentary.



2.1 Cast at bank

We have recovered an amount of c. \$20K from the Company's pre-appointment bank account held with Westpac. Subsequent to this, we recovered a refund of \$75 in respect of funds held on trust by a Company Advisor as at the date of our appointment.

Upon our appointment we wrote to all major financial institutions in Australia to search for any other accounts held in the Company's name. To date, our searches have not identified any other bank accounts operated by the Company. Should creditors be aware of any additional accounts please contact our office.

2.2 Insurance recoveries

We are considering the recovery of costs incurred for the appearance of an officer of the Company at the Hayne Royal Commission. We understand that these costs are covered by the Company's Directors & Officers insurance policy.

We continue to work with the insurers in verifying the claim and are not yet in a position to confirm any expected realisations.

2.3 Investments in Subsidiaries

As outlined above, we were appointed as liquidators of the Company's six subsidiaries on 13 February 2020. At the date of this report, the following liquidations are ongoing:

- Insurance Network Services Australia Pty Limited (In Liquidation);
- Freedom Insurance Pty Limited (In Liquidation);
- Freedom Insurance Administration Pty Limited (In Liquidation);
- Customer Contact Pty Limited (In Liquidation);
- Finwealth Holdings Pty Limited (In Liquidation); and
- Spectrum Wealth Advisers Pty Limited (In Liquidation).

We are finalising the adjudication of all the claims in each of the Company's subsidiaries and expect a dividend to be paid to the Company once each of the liquidations have been finalised. This amount is subject to creditor appeals or court action arising from the adjudication of claims and associated costs. At the date of this report, we are not able to provide an update as to the quantum or timing of a dividend to the Company.

2.4 Trade payables

The Company's balance sheet disclosed approximately \$29K of trade and other payables as at the date of our appointment. We have received total creditor claims of approximately \$1.2K relating to accounts payable. We understand the difference of approximately \$27.8K relates to creditors that have made claims in the Company's subsidiaries.

3. Liquidation conduct to date

3.1 Activities undertaken

At the date of this report, we have undertaken our statutory duties and made inquiries into the Company's affairs. We provide a summary of the key tasks undertaken to date:

- Notifying ASIC and other authorities of our appointment and lodging statutory forms;
- Notifying creditors of our appointment;
- Writing to parties with a security interest registered on the PPSR;



- Securing cash at bank on appointment and liaising with CBA to establish the Liquidators' bank accounts;
- Liaising with insurance specialists to obtain appropriate initial and ongoing insurance advice;
- Preparing our Initial Report to Creditors dated 28 February 2020 and notifying creditors of our appointment;
- Receiving creditor enquiries and preparing correspondence to creditors and their representatives;
- Preparing and issuing this Statutory Report to Creditors;
- Accessing, securing and reviewing the Company books and records;
- Preparing the Company's final accounts and the Groups consolidated accounts up to the date of liquidation (21 February 2020) and lodging income tax returns with the Australian Taxation Office ("ATO") for financial years ended 30 June 2019 and 30 June 2020;
- Reviewing the Group's OSR lodgements for the four-year period to 30 June 2019;
- Preparing and lodging a Business Activity Statement for the March 2020 quarter;
- Liaising with our solicitors regarding the Deed of Cross Guarantee between the Company and its subsidiaries;
- Liaising with the insurer regarding the insurance recoveries (as outlined above);
- Liaising with ASIC regarding ongoing investigations into the Company;
- Requesting section 260-45 Tax Clearance from the ATO;
- Advertising our intention to declare a dividend and collecting and processing creditor proofs of debt; and
- Adjudicating on creditor claims.

3.2 Fees incurred to date

On the date of our appointment Members approved liquidator's remuneration in the amount of \$80,000. In the period from the date of appointment (21 February 2020) to 26 April 2020, time costs have amounted to \$80,458. Activities undertaken during this period are outlined in section 3 above.

Description	\$ (excl. GST)
Fees Approved	80,000
Fees incurred to 26 April 2020	(80,458)
Balance remaining	(458)

4. Finalisation of liquidation

4.1 Further tasks to be undertaken

The following tasks may be undertaken prior to the finalisation of the liquidation:

- Paying a first and final dividend to the Company's admitted creditors;
- Continuing to liaise with ASIC regarding ongoing investigations into the Company;
- Liaising with the insurer to pursue the D&O policy and other insurance recoveries;
- Closing pre-appointment bank accounts;
- Finalising the liquidation period accounts and attend to statutory lodgements;
- Distributing any surplus funds to shareholders of the Company;
- Attending to statutory lodgements to finalise the liquidation; and
- Notifying ASIC of the finalisation of the liquidation and request deregistration of the Company.



4.2 Future fees estimate

We expect that to finalise the liquidation, as set out above, further fees will be incurred. The reasons our total expected fees will exceed the initial estimate are as follows:

- Time incurred producing the financial accounts and final income tax returns was greater than anticipated;
- We incurred unexpected costs reviewing the Company's OSR and GST lodgements, both of which resulted in refunds;
- There are complexities associated with the insurance recovery that were not understood prior to our appointment; and
- Time spent liaising with ASIC regarding ongoing investigations into the Company has exceeded our initial estimates.

We also note there have been unexpected costs incurred in the liquidation of the Company's subsidiary Freedom Insurance Pty Limited (In Liquidation). The increased time incurred in this liquidation relates to investigating a claim received in respect of alleged maladministration of the Group's insurance policies and the subsequent transfer of the administration business to a third-party prior to our appointment. Time spent involved gaining an understanding of:

- The Group's administration of these policies;
- Agreements under which the policies were transferred;
- Alleged breaches of these agreements; and
- Adjudicating on these claims accordingly.

We note we have rejected most of these claims. For more information on the liquidation of Freedom Insurance Pty Limited (In Liquidation) please refer to the creditors section of our website.

We intend to apply to the Company's members to approve future remuneration relating to the liquidation of the Company and Freedom Insurance Pty Limited (In Liquidation) prior to the payment of a dividend to Members. We are not yet in a position to confirm future fees that will be incurred to finalise the liquidations.

5. Likelihood of a dividend

As the Company is solvent, we expect all admitted creditor claims will be paid in full.

6. Possible recovery actions

As outlined above the Liquidators are pursuing the D&O policy claim and other insurance recoveries. We are not yet in a position to confirm the extent of any realisations arising from these claims.

To date we have not been made aware of any further recovery actions available for creditors. As detailed in this report, as the Company is solvent, all admitted claims will be paid in full.

If creditors are aware of any potential recovery actions, please contact Lachlan Minogue using the details provided overleaf.




7. Further information and contact details

Should you have any enquiries, please contact Lachlan Minogue of this office on (02) 9210 1706 or by email at lminogue@wexted.com.

DATED this 4th day of May 2020.

Freedom Insurance Group Limited (In Liquidation)


Joseph Hayes
Joint and Several Liquidator


Andrew McCabe
Joint and Several Liquidator