

**Freedom Insurance Group Limited (In Liquidation)
ACN 608 717 728 (“FIG” or “the Company”)
Circular to Shareholders**

26 June 2020

Freedom Insurance Group Limited was placed into Members Voluntary Liquidation on 21 February 2020 and we, Joseph Hayes and Andrew McCabe were appointed Joint and Several Liquidators. Shareholders may also recall FIG’s six subsidiaries were placed into Members Voluntary Liquidation on 13 February 2020 (“the Group”).

The purpose of this circular is to provide an update on the conduct of the liquidation to date and the return of surplus assets from the liquidations to shareholders.

1. Background

The focus of the Company’s board in the months prior to our appointment was to wind down the Company’s affairs and bring the Company to a position where a solvent winding up process could begin.

The objective of the liquidation has been to finalise the affairs of the Company in a solvent and responsible manner with the aim of providing some return to shareholders and allowing them to crystallise their likely capital loss on their investment.

2. Liquidation conduct to date

Our conduct to date has been mainly focused on quickly bringing matters to a close, completing pre-appointment management accounts, pursuing various insurance recoveries and adjudicating on creditor claims. Since our appointment, we have:

- Notified the relevant regulatory bodies (ASIC / ATO) of our appointment and publicly advertised our appointment via the ASIC insolvency notices website;
- Collected a total of \$2.1M from pre-appointment bank accounts;
- Downloaded, secured and archived the Group’s financial accounts and other books and records stored in the cloud;
- Finalised management accounts to the date of appointment and engaged tax agents to complete the outstanding tax lodgements for FY19 and FY20;
- Liaised with ASIC in relation to ongoing investigations and notices to produce books and records;
- Pursued claims against the Company’s D&O insurance for legal costs incurred in relation to the appearance of former company officers at the Hayne Royal Commission;
- Issued our reports to creditors and advertised our intention to pay a dividend;
- Worked with AFCA to finalise complaints against former advisors of Spectrum Wealth Advisers Pty Limited (In Liquidation); and
- Adjudicated on and paid all admitted unsecured creditor claims.

3. Assets

We have recovered the full amount of c.\$2.1M from the Group’s pre-appointment bank accounts and these bank accounts have now been closed.

We are also pursuing claims against the Company’s D&O insurance for legal and travel costs in relation to the appearance of the Company’s CEO at the Royal Commission.



4. Creditor claims

We provide below a summary of claims received and paid in the liquidations of FIG and its subsidiaries

Entity	Total Claims \$	Admitted Claims \$
Freedom Insurance Group Limited (In Liquidation)	1,159.50	1,159.50
Insurance Network Services Australia (In Liquidation)	55,790.75	55,790.75
Freedom Insurance Pty Limited (In Liquidation)	2,978,177.06	4,098.26
Freedom Insurance Administration Pty Limited (In Liquidation)	2,974,078.80	-
Customer Contact Pty Limited (In Liquidation)	-	-
Finwealth Holdings Pty Limited (In Liquidation)	-	-
Spectrum Wealth Advisers Pty Limited (In Liquidation)	155,203.32	28,024.34
Total	3,190,330.63	89,072.85

We provide the following commentary:

- Claims against Freedom Insurance Group Limited and Insurance Network Services Australia relate to trade creditors and have been admitted in full;
- A claim in the amount of \$2.97M was received in the liquidations of Freedom Insurance Pty Limited (In Liquidation) and Freedom Insurance Administration Pty Limited (In Liquidation) in relation to the transfer of the administration business to a third-party prior to our appointment. This claim was wholly disallowed;
- No claims were received in Customer Contact Pty Limited (In Liquidation) or Finwealth Holdings Pty Limited (In Liquidation); and
- Claims against Spectrum Wealth Advisers Pty Limited (In Liquidation) related primarily to bonds and commissions claimed by former Advisors. A small number of these claims were admitted and paid, however most of these claims were rejected as they had been settled prior to our appointment.

The final date for creditors to respond to our adjudication has passed. No correspondence has been received from any creditors regarding their claims and the we are not aware of any proceeding being commenced in the relevant courts. Accordingly, we are moving to pay a dividend to admitted claims without regard to the claims that have been rejected.

5. Return to shareholders

Based on assets realised to date, admitted claims in each entity expected recoveries in relation the claims against the Company's D&O policy and the insurer and costs of pursuing these claims, the expected return to shareholders will be between \$0.00 and \$0.01 per ordinary share. Shareholders may wish to use this advice in relation to claiming a loss for taxation purposes. We note this letter does not constitute taxation advice and shareholders should seek their own advice having regard to their own tax circumstances.

6. Liquidators' Remuneration

As outlined in our Report to Creditors on 4 May 2020, at our appointment, Members approved liquidators' remuneration in the amount of \$80,000 plus GST. This was incurred and fully drawn on 24 April 2020.

Further fees will be incurred to pursue claims against the Company's D&O policy and the insurer as outlined above and to finalise the liquidation.

There have also been unexpected costs incurred in the liquidation of Freedom Insurance Pty Limited (In Liquidation). The increased time incurred in this liquidation relates to defending the \$2.97M claim as outlined above. We note that we have rejected this claim in full.



Accordingly, in due course 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 final dividend to shareholders.

7. Next Steps

As outlined above, we will continue to pursue the claims against the Company's D&O policy and the insurer to maximise returns to shareholders.

We will provide a further update to shareholders and convene a meeting of the Company's members once these claims have been finalised and a distribution can be made.

8. Conclusion

Should shareholders have any further enquiries regarding the Liquidations or the contents of this letter, please contact Lachlan Minogue on (02) 9210 1706 or at freedominsurance@wexted.com.

Yours faithfully

Freedom Insurance Group Limited (In Liquidation)

Joseph Hayes
Joint and Several Liquidator

Andrew McCabe
Joint and Several Liquidator