

Insurance Network Services Australia Pty Limited (In Liquidation)

ACN 137 632 770

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

13 February 2020

EXTERNAL ADMINISTRATORS

Joseph Hayes and Andrew McCabe

CONTACT

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Wexted Advisors
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1. Executive Summary

We refer to our appointment as Joint and Several Liquidators of Insurance Network Services Australia Pty Limited (In Liquidation) (“the Company”) on 13 February 2020 by resolution of the Company’s members. This report should be read in conjunction with our Report to Creditors dated 14 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 recall on 13 February 2020, Joseph Hayes and Andrew McCabe of Wexted Advisors were also appointed Joint and Several Liquidators of the five other subsidiaries as listed below:

- 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).

On 21 February 2020, Joseph Hayes and Andrew McCabe of Wexted Advisors were also appointed as Joint and Several Liquidators of Freedom Insurance Group Limited (In Liquidation), the ultimate holding company of the six subsidiaries.

As advised in our First Report, the Company was incorporated in 12 June 2009 and is one of the six subsidiaries of Freedom Insurance Group Limited (In Liquidation). We understand the group provided life insurance distribution and administration services as well as financial planning services. We understand the Company was the main trading entity for the group.

2. Assets and Liabilities

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



| Description | Report Section | Balance Sheet as at 13-Feb-2020 \$'000 | Expected Realisation \$'000 |
|-----------------------------|----------------|--|-----------------------------------|
| Assets | | | |
| Cast at bank | 2.1 | 1,494 | 1,494 |
| GST receivable | 2.2 | 70 | 9 |
| Investments in subsidiaries | 2.3 | 336 | Unknown |
| Total assets | | 1,900 | Unknown |
| Liabilities | | | |
| Trade payables | 2.4 | (2) | (2) |
| Payroll tax | 2.5 | (25) | 44 |
| Provisions | 2.6 | (875) | (45) |
| Total liabilities | | (901) | (3) |
| Net Assets | | 999 | Unknown |

We provide the following commentary.

2.1 Cast at bank

We have recovered an amount of approximately \$1.5M from the Company's pre-appointment bank account held with Westpac

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 GST receivable

The Company's balance sheet disclosed an amount owed of \$70K in relation to GST. Further investigations revealed that there was an error in the pre-appointment BAS. The correction resulted in a c. \$61K offset against the GST receivable. We have now received payment of the net c. \$9K refund.

2.3 Investments in subsidiaries

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

- Freedom Insurance Pty Limited (In Liquidation);
- Freedom Insurance Administration Pty Limited (In Liquidation); and
- Customer Contact Pty Limited (In Liquidation).

At the date of this report, we are unable to estimate the dividend that will be paid to the Company in respect of its investments in these subsidiaries. We are currently investigating a claim received against Freedom Insurance Pty Limited (In Liquidation) 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.



We expect total expected fees will exceed initial estimates for these liquidations due to unexpected costs in investigating this claim. 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 Members of Freedom Insurance Group Limited (In Liquidation) as the ultimate holding entity of the Group to approve future remuneration to finalise this liquidation.

2.4 Trade payables

The Company's balance sheet disclosed approximately \$2K of trade and other payables as at the date of our appointment. We have received total creditor claims of approximately \$8.6K relating to accounts payable. We understand the difference of c. \$6.6K relates to the unexpired portion of supplier agreements which were not accounted for on the balance sheet.

2.5 Payroll tax

As at the date of our appointment the Company was the subject of a NSW Office of State Revenue audit for financial years 2016 to 2019 inclusive. The Company's expectation was the audit would result in a liability of \$25K.

On appointment we worked with the OSR to review the Company's payroll tax position for the four-year period. The audit resulted in a refund of \$44K to the Company, relating to a net overpayment of payroll tax throughout the four-year period. We have now received payment of this refund.

2.6 Provisions

Prior to our appointment, the Company made provisions of \$875K. These include but are not limited to:

- Professional indemnity insurance excess of \$300K in relation to potential AFCA complaints against Spectrum Wealth Advisers Pty Limited (In Liquidation) ("Spectrum") and potential claims against Freedom Insurance Group Limited (In Liquidation);
- Future amounts owing to service providers in the amount of \$186K;
- Future amounts owing to consultants in the amount of \$49K;
- Future amounts owing to Lawyers in relation to Royal Commission matters, ASIC investigations D&O claims and PI claims in the amount of \$167K;
- Ongoing internal legal services of approximately \$70K; and
- Other provisions of approximately \$100K.

We have received total creditor claims of approximately \$45K relating to these provisions. The difference of c. \$830K can be attributed to:

- Spectrum creditors have claimed in the liquidation of Spectrum; and
- Professional fees to service providers, consultants and lawyers were paid prior to appointment and the requisite write off of provisions was not correctly processed.



3. Activities undertaken to date

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;
- 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 14 February 2020 and notifying creditors of our appointment;
- Preparing and issuing this Statutory Report to Creditors;
- Accessing and securing the Company books and records;
- Preparing the Company's final accounts up to the date of liquidation (13 February 2020) and lodging the final income tax return with the Australian Taxation Office ("ATO") for the financial year ended 30 June 2020;
- Responding to NSW OSR relating to the payroll tax audit;
- 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.

4. 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;
- Finalising the liquidation period accounts and attend to statutory lodgements;
- Distributing any surplus funds to Freedom Insurance Group Limited (In Liquidation) as the Company's sole member;
- Attending to statutory lodgements to finalise liquidation; and
- Notifying ASIC of the finalisation of the liquidation and request deregistration of the Company.

5. Likelihood of a dividend

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

6. Possible recovery actions

To date we have not been made aware of any potential recovery actions available for creditors. As detailed in this report, 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 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.

Insurance Network Services Australia Pty Limited (In Liquidation)

Joseph Hayes
Joint and Several Liquidator

Andrew McCabe
Joint and Several Liquidator