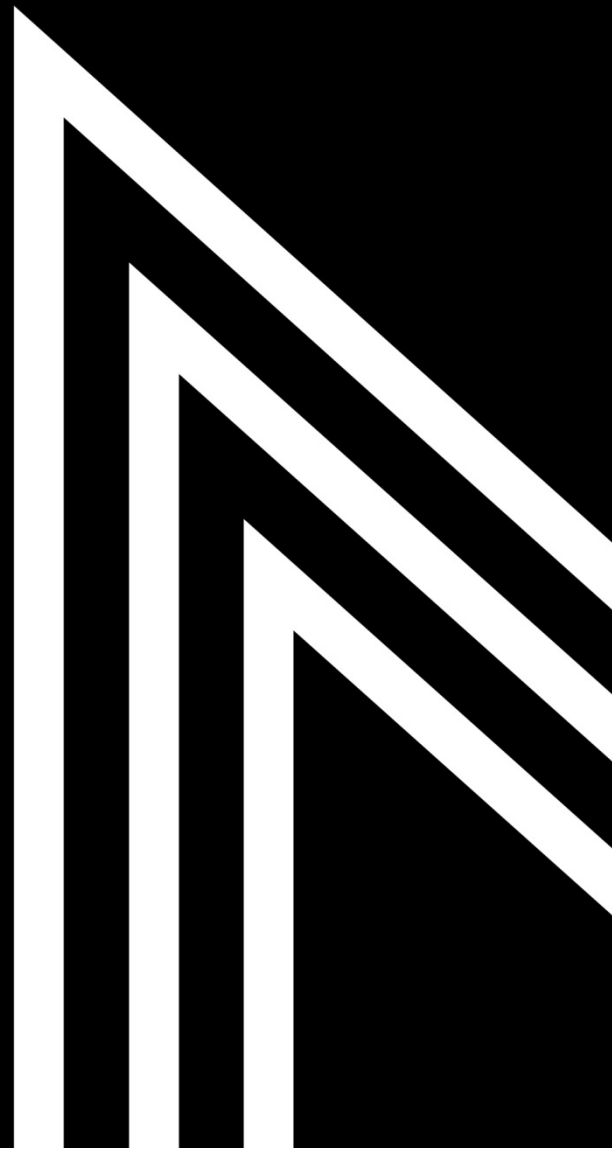

Remuneration Approval Report

Forum Group Financial Services Pty Ltd
(In Liquidation)
ACN 623 033 705

6 December 2021



McGrathNicol



This remuneration approval report provides you with information to assist you to make an informed decision regarding the approval of our proposed remuneration for undertaking the Provisional Liquidation of Forum Group Financial Services Pty Ltd (In Liquidation).

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1 Executive Summary

We are asking creditors to approve retrospective provisional liquidation remuneration of \$1,052,130 (excluding GST) for Forum Group Financial Services Pty Ltd (In Liquidation) (**FGFS**) for the period 20 September 2021 to 12 November 2021.

Details of remuneration and disbursements can be found in sections 3 and 4 of this report.

Creditors will be asked to approve our remuneration at the meeting on 20 December 2021.

Creditors have previously approved our remuneration of \$2,848,126 (excluding GST) for the period 15 July to 19 September 2021.

We estimate the total cost of the FGFS provisional liquidation will be approximately \$3,900,000. For the liquidation period, we expect that the remuneration will be between \$500,000 to \$1,000,00. This is consistent with the estimate that we have provided in the initial remuneration notice dated 6 December 2021.

For the avoidance of doubt this report covers the period when we were appointed provisional liquidators of FGFS. Remuneration for the liquidation appointment from 13 November 2021 onwards will be provided in separate Remuneration Approval Reports. We expect that remuneration requests will be made in relation to the FGFS liquidation within the next 12 months once we have completed our investigations and have realised assets of FGFS.

Please note that any defined terms in this report have the same meaning as those contained in the main body of the report to creditors dated 8 October 2021 and 6 December 2021.

2 Declaration

We, Jason Preston and Jason Ireland of McGrathNicol have undertaken a proper assessment of this remuneration and disbursements claim in accordance with the law and applicable professional standards. We are satisfied that the remuneration and disbursements claimed is necessary and is in respect of work properly performed in the conduct of these matters.

Noting that FGFS is part of the Forum Group of entities (as set out in the Statutory Report dated 8 October 2021). We have reviewed the work in progress (**WIP**) report for the liquidations to ensure that remuneration is only being claimed for necessary and proper work performed and have made the following adjustments as detailed below:

- Written off a total of \$401,504 from the recorded work in progress (WIP) (being 38.0% of the unreviewed time cost recorded) for FGFS including:
 - general administrative matters including training, remuneration preparation and other non-chargeable time;
 - time accrued in relation to other Forum Group entities where this time is not recoverable;
 - a portion of internal team project meetings on the basis that there is a large team working across the various concurrent workstreams required to support the appointments given their size and complexity;
 - time incurred by McGrathNicol employees who have undertaken less than 10 hours work across the liquidations to remove intermittent time and any perceived inefficiencies incurred; and
 - time incurred by McGrathNicol undergraduate employees to remove any perceived inefficiencies incurred by junior members of the team.
- A direct reallocation of WIP from one entity time code to another entity time code was undertaken to ensure that the WIP was recorded against the appropriate entity. This reallocation ensures that the work was properly performed on the appropriate matter. A material reallocation of WIP was undertaken for matters in relation to dealing with lease financiers including reporting and liaison with WBC, SMBC and SocGen. This has been charged to FGFS on the basis that the proceeds from the alleged fraud were directed and applied to FGFS and where our investigations for the period have been focused.

3 Remuneration sought

The remuneration we are asking creditors to approve is as follows:

Remuneration Sought				
Remuneration	Period	Amount \$ (ex GST)	Rates to apply	When it will be drawn
Work we have already done - Provisional Liquidation	20 September to 12 November 2021	1,052,130	Provided in my Remuneration Approval Report to creditors on 8 October 2021	Immediately, when funds are available
Total		1,052,130		

Details of the work already done are included at Schedule A.

Schedule B includes a breakdown of time spent by the appointees and staff members on each major task for work we have already done.

The actual resolution to be put to the meeting is detailed below for your information. The resolution also appears in the proxy form for the meeting provided to you as an attachment to the report to creditors dated 6 December 2021.

Resolution 1: Retrospective remuneration during the provisional liquidation of Forum Group Financial Services for the period 20 September 2021 to 12 November 2021:

"That the remuneration of the Provisional Liquidators for the period 20 September 2021 to 12 November 2021, calculated at hourly rates as detailed in the Remuneration Approval Report dated 8 October 2021, is determined in the sum of \$1,052,130 exclusive of GST."

4 Disbursements sought

Pursuant to section 7.7.1 of the ARITA Practice Statement 7, we are not required to seek creditor approval for costs paid to third parties, or where we are recovering a cost incurred on behalf of the administration, but we must provide details to creditors. Details of these amounts are included in the receipts and payments included at section 5 in the report to creditors dated 6 December 2021.

5 Previous remuneration approval

The following remuneration approvals have previously been provided by creditors:

Previous Remuneration Approved			
Remuneration	Period	Amount \$ (ex GST)	Amount paid (ex GST)
Work we have already done - Provisional Liquidation	15 July to 19 September 2021	2,848,126	-
Total		2,848,126	

We are now seeking approval of a further \$1,052,130 in remuneration as detailed in section 3, which will bring total remuneration claimed in the provisional liquidation to \$3,900,256.

6 Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. An external administrator is entitled to be remunerated for necessary work that is properly performed. That work generates the funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the Liquidators remuneration is that the remuneration will then be paid in accordance with the terms of the Funding Facility referred to in Section 7 below. The remuneration and/or repayment of the Funding Facility will be paid from those funds that are generated prior to the payment of most creditors in the Liquidation.

It is noted that funds would only be available to any stakeholder as a consequence of the work necessarily undertaken by the Liquidator.

If a dividend or distribution is to be paid to stakeholders, there is also necessary work that must be undertaken by the Liquidator to properly adjudicate on claims and distribute any available funds.

7 Funding received for remuneration and disbursements

On 7 September 2021 the Liquidators entered into a Funding Agreement with Westpac following receipt of the Court's approval. Creditors should refer to section 2.5 of the Provisional Liquidators' Report for details of the Funding Facility provided by WBC to the Liquidators of the Appointment Group (including the Company) of up to \$4.5 million (excluding GST) for the purposes of the Liquidators' remuneration and expenses incurred in July, August and September 2021.

On 18 November 2021, SMBC entered into an Accession Deed and became a party to the Funding Agreement.

Separately, on 18 November 2021, WBC and SMBC agreed with the Liquidators to amend the Facility Agreement, increasing the facility limit to an amount of up to \$8.5 million (excluding GST) and is extended to cover the Liquidators remuneration and expenses incurred to January 2022.

No amounts have been drawn down to date.

8 Summary of receipts and payments

A summary of the receipts and payments for the provisional liquidation for the period 30 September 2021 to 19 November 2021 is included at section 5 in the report to creditors dated 6 December 2021.

9 Queries

If you have any queries regarding the information in this report, please contact Richard Fernando Bahamondez on (02) 9338 2676.

You can also access information that may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "INFO 85").

Further supporting documentation for our remuneration claim can be provided to creditors on request.

Dated: 6 December 2021



Jason Ireland
Liquidator

Enclosures:

Schedule A – Details of work

Schedule B – Time spent by staff on each major task

Schedule C – Disbursements

Schedule D – Schedule of hourly rates

Schedule A – Details of work

Work already done for FGFS		
Period		20 September 2021 to 12 November 2021
Amount (ex GST)		\$1,052,130
Task Area	General Description	Tasks
Assets 215.7 hours \$125,993	Plant and Equipment (including motor vehicles and vessels)	<ul style="list-style-type: none"> ▪ Investigations into assets based on financial and other information available ▪ Maintain and update master asset schedule ▪ Liaise with agents to secure and value assets ▪ Liaising with financiers where applicable
	Sale of Real Property	<ul style="list-style-type: none"> ▪ Consider and implement realisation strategy ▪ Liaise with mortgagees
	Assets subject to specific charges and security interests	<ul style="list-style-type: none"> ▪ Maintain the PPS register ▪ Review submissions received from PPSR claimants
	Loan recoveries	<ul style="list-style-type: none"> ▪ Maintain schedule related loan party accounts ▪ Investigate legal position and underlying entitlement ▪ Investigate status and consider various claims that may be available ▪ Issue letters of demand ▪ Liaise with lawyers in relation to realisation strategy
	Other Assets	<ul style="list-style-type: none"> ▪ Investigations into assets based on financial and other information available ▪ Prepare correspondence to financial institutions in relation to pre-appointment accounts ▪ Consider and implement asset recovery strategy ▪ Prepare estimated outcome analysis
	Leasing	<ul style="list-style-type: none"> ▪ Review leasing documents ▪ Liaise with lessors ▪ Disclaim leases
Creditors 476.0 hours \$294,799	Creditor Enquiries, Requests & Directions	<ul style="list-style-type: none"> ▪ Receive and respond to creditor enquiries ▪ Manage and monitor functional mailbox, attending to inbound creditor queries ▪ Consider reasonableness of creditor information requests ▪ Compile information requested by creditors
	Lease Financiers	<ul style="list-style-type: none"> ▪ Liaising with Westpac, SMBC and SocGen (either directly or via their legal advisors) in relation to their exposures ▪ Attending calls, providing updates on the status of the external administrations, investigations and asset realisations to lease financiers ▪ Liaising with Financiers in relation to tracing their funds ▪ Consider reasonableness of creditor information requests ▪ Undertake analysis to support information requests ▪ Responding to specific queries including numerous information requests from Westpac, SMBC, SocGen and others ▪ Preparing written updates and reports ▪ Consideration of competing claims
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Respond to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> ▪ Prepare Statutory Report by Liquidator ▪ Maintain and review creditor position/lists

	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Prepare and send meeting notices ▪ Prepare for and attend meeting of creditors ▪ Prepare and lodge minutes of meeting(s) with Australian Securities and Investments Commission (ASIC) ▪ Respond to stakeholder queries and questions following the meeting
	Deal with proofs of debt (POD)	<ul style="list-style-type: none"> ▪ Receive PODs from claimants and maintain POD register ▪ Correspond with claimants regarding PODs
Investigation 932.5 hours \$555,097	Conduct investigations	<ul style="list-style-type: none"> ▪ Review company's books and records ▪ Undertake investigations of underlying documentation supporting the alleged fraudulent contracts ▪ Undertake detailed investigations of financial and other information of FGFS to support the funds and asset tracing process, and assist in the identification of assets that may be available for realisation
	Technology and data investigations	<ul style="list-style-type: none"> ▪ Facilitating access to online review platform ▪ Applying forensic techniques for targeted searching of hosted data
	Funds and Assets Tracing	<ul style="list-style-type: none"> ▪ Trace the sources and applications of funds to identify and deal with claims to assets using legal tracing principles ▪ Converting, categorizing and matching transactions as part of preparing a financial model that underpins tracing analysis ▪ Obtaining information in respect of in excess of bank accounts ▪ Conducting "source and application" analysis of key accounts ▪ Identifying parties of interest and assets including conducting a range of asset, property, entity and name searches ▪ Tracing transactions using legal tracing principles ▪ Liaising with lease financiers in relation to fund and asset tracing ▪ Preparation of analysis to support affidavit
	Fraud investigations	<ul style="list-style-type: none"> ▪ Applying forensic techniques for targeted searching of hosted data to assist in determining relationships and nature of the transactions ▪ Identified existing legitimate and fraudulent contracts in order to ascertain value to the underlying Forum businesses ▪ Responding to requests made by financiers and their legal representatives ▪ Prepared detailed reporting
	Examinations	<ul style="list-style-type: none"> ▪ Undertake comprehensive searches of materials available and prepare detailed briefs to legal advisors to prepare for the examinations ▪ Preparing and attending examinations and ongoing assistance to legal advisors ▪ Liaise with lawyer(s) regarding outcome of examinations and further actions available
Administration 135.3 hours \$76,241	Correspondence	<ul style="list-style-type: none"> ▪ Attending to statutory obligations in connection with appointment including dealing with various stakeholders in relation to the appointment
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Maintaining project task lists ▪ Updating checklists ▪ Review of checklists to determine outstanding tasks and timelines
	Insurance	<ul style="list-style-type: none"> ▪ Correspond with insurance broker regarding ongoing insurance requirements
	Bank account administration	<ul style="list-style-type: none"> ▪ Perform bank account reconciliations ▪ Processing payments
	Legal actions	<ul style="list-style-type: none"> ▪ Preparing and swearing various affidavits ▪ Supporting applications including liquidation appointments

	<ul style="list-style-type: none"> ▪ Attendance at the FGFS proceedings and proceedings in relation to wider Forum Group companies and other entities associated with Mr Papas
ASIC	<ul style="list-style-type: none"> ▪ Prepare and lodge ASIC forms ▪ Correspond with ASIC regarding statutory forms ▪ Liaise with lawyers in relation to the file note to support the lodgement of the ASIC report pursuant to section 533 of the Corporations Act ▪ Seek assistance from ASIC to obtain ROCAP from directors
ATO and other statutory reporting	<ul style="list-style-type: none"> ▪ Monitoring ATO portal in relation to correspondence
Planning/Review	<ul style="list-style-type: none"> ▪ Discuss status of external administration ▪ Discuss engagement strategy
Dealing with Directors	<ul style="list-style-type: none"> ▪ Send follow up requests to directors for Report on Company Activities & Property (ROCAP)
Books and records/storage	<ul style="list-style-type: none"> ▪ Obtain access to the Company books and records ▪ Maintaining backups of key information

Schedule B – Time spent by staff on each major task (work already done)

Resolution 1: from 20 September 2021 to 12 November 2021

Forum Group Financial Services Pty Ltd (In Liquidation) - Remuneration for the period 20 September 2021 to 12 November 2021																		
Staff	Position	Rate	Total		Assets		Creditors		Employees		Trade on		Investigations		Dividend		Administration	
			Hours	\$ (AUD)	Hours	\$ (AUD)	Hours	\$ (AUD)	Hours	\$ (AUD)	Hours	\$ (AUD)	Hours	\$ (AUD)	Hours	\$ (AUD)	Hours	\$ (AUD)
Jason Ireland	Appointee	770	43.4	33,418	16.8	12,936	21.8	16,786	-	-	-	-	3.0	2,310	-	-	1.8	1,386
Jason Preston	Appointee	770	33.1	25,487	4.9	3,773	19.3	14,861	-	-	-	-	4.1	3,157	-	-	4.8	3,696
	Partner	770	117.5	90,475	12.0	9,240	45.5	35,035	-	-	-	-	43.0	33,110	-	-	17.0	13,090
	Director	660	595.1	392,766	61.4	40,524	144.1	95,106	-	-	-	-	348.5	230,010	-	-	41.1	27,126
	Senior Manager	620	89.8	55,676	-	-	28.3	17,546	-	-	-	-	60.2	37,324	-	-	1.3	806
	Manager	580	359.9	208,742	21.7	12,586	123.9	71,862	-	-	-	-	207.5	120,350	-	-	6.8	3,944
	Assistant Manager	530	178.3	94,499	57.1	30,263	52.1	27,613	-	-	-	-	66.2	35,086	-	-	2.9	1,537
	Senior Accountant	480	196.1	94,128	4.1	1,968	-	-	-	-	-	-	175.0	84,000	-	-	17.0	8,160
	Accountant	390	144.7	56,407	37.7	14,703	41.0	15,990	-	-	-	-	24.0	9,360	-	-	42.0	16,354
	Senior Client Admin	370	1.1	427	-	-	-	-	-	-	-	-	1.0	390	-	-	0.1	37
	Administration	210	0.5	105	-	-	-	-	-	-	-	-	-	-	-	-	0.5	105
Total (ex GST and disbursements)			1,759.5	1,052,130	215.7	125,993	476.0	294,799	-	-	-	-	932.5	555,097	-	-	135.3	76,241

Schedule C – Disbursements

Costs paid to third parties

Costs paid to third parties are recovered at cost. Creditors are not required to approve these types of costs, but details are provided to account to creditors, including the basis of charging for these types of costs. Creditors are entitled to question the incurring of the costs and can challenge the costs in Court. Details of these amounts are included in the receipts and payments included at section 5 in the report to creditors dated 6 December 2021.

Future costs provided by McGrathNicol will be charged to the external administration on the following basis:

Cost type	Rate (\$) (GST exclusive)
Postage	At cost
Stationery and other incidental disbursements	At cost
Conference call phone charges	At cost
Searches	At cost
Advertising	At cost
Courier	At cost
Staff per diem travel allowance*	89.00 per day**
Staff vehicle use	0.72 per km**
ASIC user pays levy***	At cost

* Payable when partners or staff are required for business purposes to stay away from their usual place of residence overnight.

** These rates are deemed reasonable by the Australian Taxation Office.

*** This levy is charged by ASIC and is based on the number of notifiable events in a financial year directly related to the Liquidations. Notifiable events include notices published on ASIC's published notices website and some documents lodged with ASIC.

Further explanation of data hosting costs

In the conduct of the liquidation, we may use McGrathNicol's Forensic Technology team to extract, aggregate, electronically process and/or host electronic data, which could be used for the:

- trade or sale of the business or assets; and/or
- investigations regarding transactions or potential recoveries available to creditors.

If data hosting is required and we choose not to use the services of McGrathNicol's Forensic Technology team, we will otherwise have to purchase those services from an alternative provider and/or use another method to achieve the same end, which will not be as efficient as using these available internal services.

We note that the data hosting rates above are no more than our standard commercial pricing available for the same services when they are provided to external parties.



Schedule D – Schedule of Hourly Rates

The rates for our remuneration calculation are set out in the following table, together with a general guide showing the qualifications and experience of staff engaged in the liquidation and the role they take in the liquidation. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Description	Hourly rate (excl GST)
Appointee/Partner	Registered liquidator, Chartered Accountant or equivalent and generally degree qualified with more than twelve years of experience. Leads assignments with full accountability for strategy and execution.	\$770
Director 1	Generally Chartered Accountant or comparable qualification and degree qualified with more than ten years of experience, including four years of Director or equivalent experience. Autonomously leads complex insolvency appointments reporting to Appointee/Partner.	\$710
Director	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than nine years of experience. Autonomously leads insolvency appointments reporting to Appointee/Partner.	\$660
Senior Manager	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than seven years of experience. Self-sufficiently conducts small to medium insolvency appointments and leads major workstreams in larger matters.	\$620
Manager	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than five years of experience. Self-sufficiently conducts small insolvency appointments and takes a supervisory role on workstreams in larger matters.	\$580
Assistant Manager	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than three years of experience. Autonomously manages workstream activity within appointments.	\$530
Senior Accountant	Generally degree qualified and undertaking Chartered Accountant's qualification or comparable relevant qualification with more than 16 months of experience. Completes tasks within workstreams and appointments under supervision.	\$480
Accountant	Generally degree qualified and undertaking or about to undertake Chartered Accountant's qualification or comparable relevant qualification with less than one year of experience. Assists with tasks within workstreams and appointments under supervision.	\$390
Undergraduate/Cadet	Undertaking relevant degree. Assists with tasks within workstreams and appointments under supervision.	\$230

Title	Description	Hourly rate (excl GST)
Practice Services Director	National Practice Service leaders, generally degree qualified with more than ten years of experience and reporting directly to partners. Technical experts in their specific areas and have team management responsibilities.	\$710
Senior Treasury staff	Appropriately experienced and undertakes senior Treasury activities such as oversight of the processing of payment of receipts and banking administration. May be responsible for day to day management of projects or operations and may have supervisory responsibility for junior staff.	\$470
Senior Client Administration and Treasury	Appropriately experienced and undertakes senior level administrative support activities or Treasury activities. May be responsible for day to day management of projects or operations and may have supervisory responsibility for junior staff.	\$370
Administration	Appropriately experienced and undertakes support activities such as meeting coordination and preparation of materials where it is efficient and appropriate to do so.	\$210

McGrathNicol reviews its hourly rates on either 31 December or 30 June. Creditors will be advised of any change to the hourly rates for this external administration.