

22 November 2024

ASX Compliance
Level 40, Central Park,
152-158 St Georges Terrace,
Perth WA 6000

By Email: ListingsCompliancePerth@asx.com.au

Dear Sir/Madam

Response to ASX Query Letter

Freedom Care Group Holdings Limited (ASX:FCG) (**Company**) refers to ASX's query letter of 18 November 2024 (**Query Letter**) and responds as follows (adopting ASX's numbering):

- 1.1 The Company did not initially consider the payment suspension from the National Disability Insurance Agency (**NDIA**) to be information that a reasonable person would expect to have a material effect on the price or value of its securities (**Price Sensitive Information**). Please refer to the response at point 4 below for further information. The Company first disclosed the NDIA's audit of the Company and the impact of such audit on 31 October 2024 in its Quarterly Activities / Appendix 4C Cash Flow Report to give context to the reduced cash receipts of the Company for the relevant quarter. At this date, the Company still did not consider the NDIA payment suspension to be Price Sensitive Information. The Company then further disclosed that the protracted nature of NDIA's audit had led to the Company being further affected by the payment suspension in the announcement of 6 November 2024 referred to in point 1.2 below. It was after the close of trading on 5 November 2024 that the Company first considered the NDIA payment suspension to be Price Sensitive Information. Please refer to the response at point 4 below for further information on this timing.
- 1.2 Yes, after seeking legal advice and holding a Board meeting to consider the two notices received from the NDIS Quality and Safeguards Commission (**Commission**) throughout the course of 5 November 2024, the Company, after the close of trading on 5 November 2024, considered the information set out in point 1.2(a) and (b) of the Query Letter to be Price Sensitive Information. Such information was announced to the market before the opening of trading on 6 November 2024.
2. Please refer to the response at point 4 below for an explanation of why the payment suspension from the NDIA was not initially announced to the market.
3. The Company first became aware of the audit and payment suspension from the NDIA on 18 September 2024. Please refer to the response at point 4 below for further information on the payment suspension. The Company first became aware of the two notices from the Commission after the close of trading on 4 November 2024.
4. No, the Company did not make any announcement in respect of the NDIA audit or payment suspension before 31 October 2024, being the date of the Quarterly Activities / Appendix 4C Cash Flow Report. As background, the Company's wholly owned subsidiary Freedom Care Group Pty Ltd (**FCGPL**) originally received a letter from the NDIA on 18 September 2024 (**Payment Letter**) which stated that:
 - the NDIA had reviewed FCGPL's claims and identified "inconsistencies in claiming behaviours";
 - the NDIA would be undertaking an assessment of a sample of FCGPL's claims;
 - on 12 September 2024, the NDIA had suspended all payment requests submitted directly by FCGPL and indirectly by plan managers;

- all payment requests would need to be manually assessed prior to being paid;
- the expected timeframe for the NDIA to complete its assessment was within 2 weeks from receipt of the requested information and the Company would be advised in writing if this timeframe was extended; and
- all payment requests from FCGPL would need to be submitted via the NDIA's Provider Portal and that the NDIA would contact FCGPL requesting information to substantiate the payment requests prior to claims being released.

On 19 September 2024, FCGPL acknowledged receipt of the Payment Letter, confirmed it would comply with all requests outlined in the Payment Letter, requested further clarification as to the reason for the payment suspension and queried what further information FCGPL could provide or what further actions FCGPL could take to facilitate a prompt lifting of the payment suspension.

On 20 September 2024, the NDIA advised FCGPL it would be issued with a request for information "shortly" for the "current payment requests that the NDIA wishes to review prior to payment" and that "when all the information is provided and if we are satisfied that the documentation supports the payment requests, claims will be released and paid once the review has been completed".

The Company received its first request for information from the NDIA on 24 September 2024 which required information to be provided by 8 October 2024. The Company submitted the information to the NDIA on 3 October 2024. The NDIA acknowledged receipt of the information on 4 October 2024 and advised it aimed to complete its assessment within 14 days and that the Company would be advised if this timeframe was extended. The Company regularly sought an update from the NDIA but received no response.

The Company received a second request for information from the NDIA on 1 October 2024 which required information to be provided by 15 October 2024. The Company submitted the information to the NDIA on 14 October 2024. The Company regularly sought an update from the NDIA but again received no response.

On 22 October 2024, the Company submitted a complaint to the Commission regarding the payment suspension and the lack of response from the NDIA. Around this date, the Company also escalated the matter through official channels.

On 1 November 2024, the Company's litigation counsel wrote to the NDIA to express the Company's frustration with the delays to date and to request that the process be sped up. As noted in the response in point 3 above, the Company then received the two notices from the Commission after the close of trading on 4 November 2024. Given the NDIA had now escalated the matter the Company was dealing with from an initial payment suspension to a payment suspension together with notices to potentially revoke the Company's NDIS registration and ban the Company from providing services to people with a disability, the Company considered, after close of trading on 5 November 2024, the NDIA payment suspension to be Price Sensitive Information and the Company was obliged to release the information under Listing Rules 3.1 and 3.1A. The Company then disclosed the payment suspension to the market before the opening of trading on 6 November 2024.

The Company did not consider the NDIA audit and payment suspension to be Price Sensitive Information before the close of trading on 5 November 2024 given:

- the Company had sufficient cash at bank to fund its operations while the NDIA was undertaking its assessment;
- the Company understood from the NDIA that the assessment would likely take 14 days from the date it provided the NDIA with all required information (noting the Company has still not been advised in writing of any extended timeframe);
- the Company provided all required information to the NDIA promptly;
- while the Company understood that industry participants had experienced a general slowdown in the processing of payments from the NDIA recently, the Company could not reasonably anticipate further payment delays significantly beyond the indicative timeframe given by the NDIA ;
- the Company had experienced previous delayed payments from the NDIA which had nevertheless always eventually been made;
- the Company's NDIS claims had never previously been queried by the NDIA in this manner;

- the Company expected procedural fairness from the NDIA and for the NDIA to meet its own timeframes (or advise the Company of any extended timeframes); and
 - the Company believed at all times that it could resolve the payment suspension with the NDIA and fully co-operated with the NDIA at all times to come to such resolution.
5. The Company first became aware of the two notices from the Commission after the close of trading on 4 November 2024. After seeking legal advice and holding a Board meeting to consider the two notices throughout the course of 5 November 2024, the Company, after the close of trading on 5 November 2024, resolved that the Company was obliged to release the information under Listing Rules 3.1 and 3.1A and disclosed the notices to the market before the opening of trading on 6 November 2024.
 6. The Company did not consider that its interactions with the NDIA would be likely result in a situation that would require any additional disclosure to the Company's auditors while they were preparing the audit to be included in the Annual Report.
 7. Given that the audit process with the NDIA had only just commenced, that the Company understood that the assessment would only take a matter of weeks to be resolved, that the payment delays ultimately experienced could not reasonably be anticipated at the date of the Annual Report and that the Company had sufficient cash at bank to fund its operations on the date the Company's Annual Report was released, the Company did not consider that the information relating to the NDIS audit or payment suspension was sufficiently material or definite to warrant disclosure to its auditors as a subsequent event to the audit period of the Annual Report.
 8. The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
 9. The Company confirms that the above responses have been authorised and approved by its Board of Directors.

Yours faithfully



Wayne Kernaghan
Company Secretary



18 November 2024

Reference: ODIN103126

Mr Wayne Kernaghan
Company Secretary
Freedom Care Group Holdings Limited
Suite 706, Level 7, 89 York Street
Sydney, NSW 2000
By email: Wayne.k@freedomcare.au

Dear Mr Kernaghan

Freedom Care Group Holdings Limited ('FCG'): ASX Query Letter

ASX refers to the following:

- A. FCG's Quarterly Activities/Appendix 4C Cash Flow Report for the quarter ending 30 September 2024, released on ASX Market Announcements Platform ("MAP") at 6.23PM AEDT on 31 October 2024, disclosing the following:

Activities Report

- (a) *"Freedom reported cash receipts of nearly \$8.7 million in its 1Q FY25. This figure was below Freedom's expectations, as a NDIS audit initiated in mid-September 2024 momentarily checked revenue growth. The Company estimates that the latter audit likely resulted in a decrease of over \$800,000 in cash receipts..."*

- (b) *"Freedom Care Group Holdings' Non-Executive Chairman Zoran Grujic, said:*

"We are well-pleased with the solid growth seen in Freedom Care's service revenue base over the September 2024 quarter. It clearly demonstrated that the growth initiatives we continue to implement are gaining traction in our target 'complex cases' segment of the broader NDIS market. Indicative of growth upside in our business on an annual basis, if the 1Q FY25 service revenue print was repeated in each of the remaining three quarters of our FY25, it would deliver a FY25 service revenue figure well up on that reported in FY24. While we reported a negative operating cashflow in the September 2024 quarter, this was attributable to one-off expense items and a NDIS audit, none of which are likely to be repeated in following quarters. Abstracting from the latter one-off items, we would have reported a positive 'normalised' cashflow last quarter of around \$0.5 million. Looking ahead, our growth prospects remain rock-solid. This as Freedom continues to implement an expansion strategy that focuses on the delivery of specialised care that will always be central to Australia's core NDIS ecosystem." (Emphasis added)

Cash Flow Report

- (c) *"8. Estimated cash available for future operating activities"*
- (i) *"8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)"*
- a. *"1.6"*
- (ii) *"8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:*
- a. *"8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?"*

Answer: No. The short-term cashflow has been impacted by delays in receipts as a result of a review by the NDIS."

- b. *"8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?"*

Answer: Yes. As noted in 8.6.2 the Company believes it can access sufficient short-term cash and it does not anticipate the pause in NDIS funding, per 8.6.1, to extend much longer."

- B. FCG's announcement titled "Market update regarding NDIS Notices" (the 'Announcement') released on the MAP at 10.03AM AEDT on 6 November 2024 disclosing the following:

- (a) *"On 4 November 2024 FCG received the two notices from the NDIS Quality and Safeguards Commission (Commission) after the close of trading on 4 November 2024..."*

The two notices from the Commission entail:

- a notice from the NDIS Quality and Safeguards Commission (Commission) advising of the Commission's preliminary view that the registration of FCGPL as a registered NDIS provider should be revoked; and*
- a notice from the Commission advising of its preliminary view that it may be appropriate in the circumstances to make (and that the Commission is considering making) a banning order permanently restricting FCGPL from providing or managing any supports, services or funding to people with disability both directly and indirectly."*

- (b) *"As noted in the Appendix 4C (Section 8.6.1 in the announcement dated 31 October 2024), FCGPL has also been affected by a payment suspension from the NDIS, due to a protracted review of FCGPL's support services claims. FCGPL has been advised by the NDIS that an update of this review will be provided this week. FCGPL currently represents approximately 80% of the revenue of the consolidated Company."*

- C. The change in the price of FCG's securities from a closing price of \$0.13 on 5 November 2024 immediately prior to the release of the Announcement to a low of \$0.07 on 6 November 2024 following the release of the Announcement and a closing price of \$0.037 on 11 November 2024.
- D. FCG's request for a trading halt provided to ASX and released on MAP at 9.12AM AEDT on 12 November 2024. FCG requested the trading halt be granted pending an announcement regarding discussions between FCG and the National Disability Insurance Agency ("NDIS") regarding the payment suspension referred to in the Announcement. The trading halt was put in place prior to market open on 12 November 2024.
- E. On 14 November 2024, the securities of FCG were suspended from quotation under Listing Rule 17.2, at the request of FCG, pending the release of an announcement regarding the outcome of discussions with the NDIS regarding the payment suspension referred to in the Announcement.
- F. FCG's Annual Report for the period ending 30 June 2024 ("Annual Report") released on MAP at 7.16PM AEDT on 30 September 2024 which does not appear to contain any information in relation to the audit of FCG mentioned in paragraph A(b) above ('NDIS Audit').
- G. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- H. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.”

- I. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled “When does an entity become aware of information?”
- J. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows:

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following 5 situations applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- K. The concept of “confidentiality” detailed in section 5.8 of *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it is no longer a secret and it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks FCG to respond separately to each of the following questions:

1. Does FCG consider the following information, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
 - 1.1 FCG had *“been affected by a payment suspension from the NDIS, due to a protracted review of FCGPL’s support services claims”* as set out in the Announcement.
 - 1.2 On 4 November 2024, FCG received two notices from the NDIS Quality and Safeguards Commission (‘NDIS Commission’) after the close of trading that day (as set out in the Announcement) which:
 - (a) advised of the NDIS Commission’s preliminary view that the registration of Freedom Care Group Pty Ltd (‘FCGPL’), a wholly owned subsidiary of FCG, as a registered NDIS provider should be revoked;
 - (b) advised of its preliminary view that it may be appropriate in the circumstances to make (and that the NDIS Commission is considering making) a banning order permanently restricting FCGPL from

providing or managing any supports, services or funding to people with disability both directly and indirectly.

2. If the answer to any part of question 1 is “no”, please advise the basis for that view.

Please answer separately for each of the items in question 1 above.

3. When did FCG first become aware of the information referred to in question 1 above?

Please answer separately for each of the items in question 1 above.

4. If FCG first became aware of the information referred to in question 1 (at paragraph 1.1) before the date of the Quarterly Activities/Appendix 4C Cash Flow Report, did FCG make any announcement prior to that date which disclosed the information? If not, please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe FCG was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FCG took to ensure that the information was released promptly and without delay.

Please provide details of the prior announcement if applicable.

5. If FCG first became aware of the information referred to in question 1 (at paragraph 1.2) before the date of the Announcement, did FCG make any announcement prior to that date which disclosed the information? If not, please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe FCG was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FCG took to ensure that the information was released promptly and without delay.

Please provide details of the prior announcement if applicable.

6. Please advise if all relevant information (including information pertaining to the NDIS Audit) was provided to FCG’s auditors when they were preparing the audit to be included in the Annual Report.
7. If all relevant information (including information pertaining to the NDIS Audit) was not provided to FCG’s auditors please advise why not.
8. Please confirm that FCG is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
9. Please confirm that FCG’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FCG with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **1.00 PM AWST Friday, 22 November 2024**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FCG’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out above and may require FCG to request a trading halt immediately if trading in FCG’s securities is not already halted or suspended.

Your response should be sent by e-mail to **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in FCG's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to FCG's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that FCG's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours faithfully

ASX Compliance