



Liquidators' third annual report

21 September 2018

BBY Holdings Pty Limited (receivers and managers appointed) ACN 075 187 432

BBY Limited (receivers and managers appointed) ACN 006 707 777

BBY Advisory Services Pty Ltd (receivers and managers appointed) ACN 102 761 008

Broker Services Australia Pty Ltd ACN 074 976 364

(all in liquidation)

Stephen Vaughan
and Ian Hall

Joint and Several
Liquidators

KPMG
Restructuring Services
Tower Three,
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

**BBY Client and Creditor
Enquiries**
E AU-FMBBY@kpmg.com.au
W www.kpmg.com/AU/bby

1. Executive summary

BBY was formerly the largest independent stock broker in Australia and New Zealand before its collapse in May 2015 when 10 group companies were placed into external administration.

Purpose of this third annual report

This is the third annual Liquidators' report to former clients and other creditors of the following BBY companies:

- BBY Holdings Pty Ltd
- BBY Limited
- BBY Advisory Services Pty Ltd
- Broker Services Australia Pty Ltd

Each year during the winding up of a company liquidators are required to either convene an annual meeting of creditors or lodge an annual report with ASIC, providing notice to creditors. We have lodged this third annual report with ASIC and published a copy on the BBY creditor information website at www.kpmg.com/AU/bby.

This report provides a summary of key events during the previous year, the current status and next steps in the winding up of the insolvent estates of the above companies. It should be read in conjunction with our previous reports, dated 9 September 2016 and 21 September 2017, copies of which can be found on the website.

Classes of clients and creditors

There are various classes of former clients and creditors of BBY who have suffered losses as a result of the collapse. To the extent funds and assets were held in trust by BBY on behalf of clients the net proceeds will be available for distribution to clients as beneficiaries. General creditors are not entitled to be paid from these funds. This is discussed further below.

Clients

There are approximately 6,000 former clients of BBYL with claims of \$62 million against client assets, with an estimated shortfall to clients, before recovery costs, of \$21 million.

We concluded that BBYL did not maintain adequate financial and client records and we identified transactions outside of the ordinary course of business that may have led to the depletion of client monies and shortfalls against client obligations. The legal entitlements of individual clients within various product lines was not clear and there was uncertainty about how potentially competing client entitlements should be treated.

In August 2015 we applied to the Supreme Court of New South Wales for various directions in relation to client monies. Representative defendants were appointed by the Court to represent the respective interests of the different classes of BBYL clients. Those proceedings continued through 2016 and there was a 4 day hearing that concluded on 3 February 2017.

On 19 March 2018 Justice Brereton of the Supreme Court of New South Wales handed down his Judgment in relation to how client assets and monies should be dealt with and ultimately distributed.

At a hearing on 22 June 2018, his Honour heard and considered evidence and submissions from the parties in relation to various issues arising from his judgment of 19 March and a directions of 5 April 2018 and he reserved judgment on these matters. The directions proceedings are discussed further in section 7.1 of this report.

The Liquidators have made distributions, in accordance with earlier Court orders, in respect of Erroneous Deposits and Erroneous Withdrawals classes of clients. Refer to section 7.2 for more information.

Set out in section 7.3 are details of a number of steps that have to occur before distributions can be made to the wider body of clients, including:

- Receipt of final Court directions which address remaining issues
- Recoveries of remaining assets held with counterparties (pending the Court outcome)
- Verification and adjudication of client claims

Therefore these wider client distributions are not likely to occur before mid-2019. The exact timing is subject to a number of factors and is uncertain.

The possible returns to clients in each of the product pools will vary depending on the final Court directions. A number of possible scenarios were modelled for the Court in May 2018. These are discussed in section 7.1.

Creditors

Creditor claims in respect of BBYH, BBYL, BBYAS and BSA could exceed \$40 million. These claims include secured creditor shortfalls, trade creditors, employees and clients in respect of shortfalls against trust assets.

Whilst clients will recover a portion of their trust entitlements, there is no prospect of any return to creditors generally, except from possible recoveries that may result from potential causes of action being pursued by the Liquidators.

There are a number of recovery actions underway, as discussed in section 9, including in relation to insolvent trading, preference payments, related party transactions and a possible claim against the former auditor.

There are a number of challenges in pursuing these matters and the likely outcome remains quite uncertain. There is a greater possibility that there will be funds available for distribution in the BSA liquidation.

More information

Set out in section 5.4 on page 12 of this report, is an overview diagram setting out, at a high level, the status of the BBY Limited liquidation. This and the other liquidations are discussed further in this third report.

Further details of the BBY external administrations can be found on the creditor information website at www.kpmg.com/AU/bby. The website also contains key court documents, answers to frequently asked questions and other material. The website is updated on a periodic basis for material developments of interest to clients and creditors.

Clients and creditors can also email inquiries to AU-FMBBY@kpmg.com.au.

2. Glossary

ACN	Australian Company Number
Act	Corporations Act 2001 (Commonwealth)
AIMS	AIMS Financial Group
Ashurst	Ashurst Australia, lawyers assisting the Liquidators
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BBY	The business operated by BBYL and the wider BBY Group
BBYAS	BBY Advisory Services Pty Ltd (Receivers and Managers Appointed) (In Liquidation)
BBYL	BBY Limited (Receivers and Managers Appointed) (In Liquidation)
BBYH	BBY Holdings Pty Ltd (Receivers and Managers Appointed) (In Liquidation)
BBYHT	BBY HomeTrader Pty Ltd (Subject to Deed of Company Arrangement)
BBYN	BBY Nominees Pty Ltd (In Liquidation)
BSA	Broker Services Australia Pty Ltd (In Liquidation) (the employment company)
Committee	Committee of Inspection
Court	Supreme Court of New South Wales
CSA	Client Segregated Account
Directors	Glenn Rosewall, Ken Rosewall, David Perkins
DOCA	Deed of Company Arrangement
Erroneous Deposits	Deposits received by the Receivers of BBYL across various product lines after the Administration date relating to a failed transaction
Erroneous Withdrawals	Margin calls made in error by the Receivers on 19 May 2015 in respect of Exchange Traded Options where BBYL did not settle its margin obligation with ASX Clear
ETO	Exchange traded options
FEG	Fair Entitlements Guarantee
FX	Foreign exchange
GST	Goods and services tax
IMF	IMF Bentham Limited
IB	Interactive Brokers LLC
Liquidators	Stephen Vaughan and Ian Hall of KPMG
NAB	National Australia Bank
Receivers	Receivers & Managers of BBYH, BBYL, BBYAS, M Madden and C Matthews of KordaMentha
Returned Collateral	Remaining ETO collateral of \$3.4 million returned by the ASX
Saxo	Saxo Capital Markets
St George	St George Bank, a secured creditor which appointed the Receivers

3. Contents

1. Executive summary	2
2. Glossary	4
3. Contents	5
4. Introduction	7
4.1. External administrations	8
4.2. Receivers and Managers	8
5. Liquidations	9
5.1. Role of the Liquidators	9
5.2. Declaration of independence	9
5.3. Committee of Inspection	10
5.4. Overview of the liquidation process	11
6. Background to BBY	13
7. Client monies	13
7.1. Directions proceedings	13
7.2. Erroneous Withdrawal and Erroneous Deposit clients	18
7.3. Verification, adjudication and distribution	18
8. Creditors	20
8.1. Secured creditors	20
8.2. Employees	21
8.3. Adjudication of proofs of debt	21
8.4. Dividend process	21
9. Recovery initiatives	22
9.1. Insolvent trading claim	22
9.2. Preference payments	22
9.3. Related Party claims	23
9.4. Possible claim against external Auditor	23
10. Liquidation expenses	24
10.1. BBYL fees to 30 June 2018 by work phase	24
10.2. BBYL July & August 2018 estimate	25
10.3. BBYL client monies related expenses to 30 June 2018	25
10.4. BBYL legal expenses to 30 June 2018	26
10.5. BBYH	27

10.6.	BBYAS	27
10.7.	BSA	27
11.	Receipts and payments	28
11.1.	BBYL general liquidation	28
11.2.	BBYL client monies	29
11.3.	BBYH	29
11.4.	BBYAS	29
11.5.	BSA	29
12.	Costs of client monies directions proceedings	30
13.	Estimated outcome for creditors	31
14.	Communications	31
15.	Statutory matters	32
16.	How to keep up to date	32
	Appendix A – Creditor Rights in Liquidations	33

4. Introduction

This annual report

This is the third annual report to creditors (including former clients) in the liquidations of:

- BBY Holdings Pty Ltd (in liquidation) (receivers and managers appointed) (*the BBY group parent company*)
- BBY Limited (in liquidation) (receivers and managers appointed) (*main BBY trading entity*)
- BBY Advisory Services Pty Ltd (in liquidation) (receivers and managers appointed)
- Broker Services Australia Pty Ltd (in liquidation) (*the employment company*)

This report should be read in conjunction with our:

- First annual report, dated 9 September 2016; and
- Second annual report, dated 21 September 2017.

These are available on the BBY creditor website at www.kpmg.com/AU/bby.

BBYH, BBYL, BBYAS and BSA were part of a wider group of BBY companies that comprised the BBY business and the affairs of these companies were interrelated. For convenience, this is a combined report covering the four companies, although we also address the affairs of each company individually.

This report covers the 12 months of the winding up of each company from 22 June 2017 to 21 June 2018, as well as more recent developments prior to the date of this report.

Changes to reporting

There were various amendments to the way a liquidator reports to creditors after implementation of the Insolvency Law Reform Act 2016 and changes made to the Corporations Act 2001.

Section 508 of the Corporations Act previously provided that when the winding up of an insolvent company in liquidation continues for more than 1 year, a liquidator must either convene a meeting of creditors or prepare a report that is lodged with ASIC, setting out the conduct of the winding up during that year and providing an estimate of when the winding up is likely to be completed.

Although Section 508 of the Act has been repealed, transitional provisions require that we provide this third annual report to creditors. In future the style and timing of our reporting may change however we will continue to provide information for clients and creditors.

Attached is an information sheet prepared by the Australian Restructuring Insolvency and Turnaround Association (ARITA), in part reflecting the law reforms, entitled 'Creditor Rights in Liquidations' which sets out rights to request meetings and information or take certain actions.

Decision not to convene meetings of creditors

We decided not to convene meetings of creditors of each of BBYH, BBYL, BBYAS and BSA but rather lodge this report with ASIC. Our decision not to convene meetings took into account the large number of creditors and former clients, the associated costs of convening meetings and the lack of funding to meet those costs.

Creditors may request a copy of this report free of charge. The report is also available on our BBY creditor information website at www.kpmg.com/AU/bby.

Other external administrations not included in this report

This report does not cover the conduct of other BBY external administrations including:

- BBY Nominees Pty Ltd (In liquidation), which held approximately \$25 million in assets on behalf of 600 clients. The majority of nominee assets have been returned to clients of BBYN and this liquidation is nearing its conclusion.
- SmarTrader Limited and BBY HomeTrader Pty Ltd (both subject to a pooled deed of company arrangement). A final dividend has been paid to creditors and the Deed was concluded in June 2018.
- The concluded administrations of BBY Protection Nominees Pty Ltd, Options Research Pty Ltd and Tilbia Nominees Pty Ltd.

Further information in relation to these companies is available on the BBY creditor website.

4.1. External administrations

Stephen Vaughan and Ian Hall of KPMG were appointed as Administrators of the following 10 companies within the BBY corporate group on 17 May 2015.

BBY external administration appointments				
BBY Company	Administration	Liquidation	DOCA	Administration Ended
BBY Holdings Pty Ltd	17-May-15	22-Jun-15		
BBY Limited	17-May-15	22-Jun-15		
BBY Advisory Services Pty Ltd	17-May-15	22-Jun-15		
Broker Services Australia Pty Ltd	17-May-15	22-Jun-15		
BBY Nominees Pty Ltd	17-May-15	08-Oct-15		
BBY Protection Nominees Pty Ltd	17-May-15			15-Oct-15
Options Research Pty Ltd	17-May-15			15-Oct-15
Tilbia Nominees Pty Ltd	17-May-15			15-Oct-15
Smartrader Limited	17-May-15		22-Jun-15	1-Jun-18
BBY Hometrader Pty Ltd	17-May-15		22-Jun-15	1-Jun-18

4.2. Receivers and Managers

Receivers and Managers from PPB were appointed on 18 May 2015 over 3 BBY companies, BBYH, BBYL and BBYAS on behalf of St George Bank, a secured creditor.

On 30 June 2018, St George Bank appointed Martin Madden and Cassandra Mathews, both of KordaMentha, as replacement Receivers and Managers of these 3 BBY companies and Stephen Parbery and Mark Robinson of PPB retired on 31 June 2018.

Any inquiries of the Receivers and Managers can be directed to KordaMentha at www.kordamentha.com/contact.

5. Liquidations

BBYH, BBYL, BBYAS and BSA were placed into liquidation on 22 June 2015 and we became the Liquidators.

5.1. Role of the Liquidators

The purpose of liquidation of an insolvent company is to have an independent and qualified person (the liquidator) take control of the company so that its affairs can be wound up in an orderly and fair way for the benefit of all creditors. The Liquidators' role is to:

- Collect, protect and realise the company's assets;
- Investigate and report to creditors about the company's affairs, including any unfair preferences which may be recoverable, any uncommercial transactions which may be set aside, and any possible claims against the company's officers;
- Enquire into the failure of the company and possible offences by people involved with the company and report to ASIC;
- After payment of the costs of the liquidation, and subject to the rights of any secured creditor, distribute the proceeds of realisation—first to priority creditors, including employees, and then to unsecured creditors; and
- Apply for deregistration of the company on completion of the liquidation.¹

Trustee role

In the case of BBYL the Liquidators have an additional role as trustees of the BBYL client funds to deal with those in accordance with the law. The Corporations Regulations direct that following the appointment of an administrator or the winding up of a financial services licensee, all moneys in a client segregated account must be paid to each person who is entitled to be paid money from the account. Where there is a deficiency, the money in the account must be paid in proportion to the amount of each person's entitlement.

5.2. Declaration of independence

Our first annual report included a copy of our Declaration of Independence, Relevant Relationships and Indemnities (DIRRI). This is available on the website.

¹ Australian Securities & Investments Commission, Liquidation: a guide for creditors information sheet 45

5.3. Committee of Inspection

A Committee of Inspection is a small group of creditors elected to represent the interests of creditors in the insolvent estate.

Membership is a voluntary, unpaid position. A member of a Committee must not directly or indirectly derive any profit or advantage from the estate. This includes by purchasing assets from the estate or by entering into a transaction with the estate. This prohibition extends to related entities of the member of the Committee and a large creditor(s) that appoints a member to the Committee.

At the creditors' meetings of BBYL and BSA on 22 June 2015, creditors formed two Committees of Inspection.

BBYL was the main trading entity and also managed client monies. BSA was an employment company which provided employment services to other group entities but did not otherwise trade.

Role of committee

The role of the Committees is to assist and advise the Liquidators and monitor the conduct of the liquidations. The Committees may provide directions and approve certain matters in the liquidations. The Liquidators must have regard to, but are not always required to comply with, such directions. Committee members are regarded as holding fiduciary positions and must have regard to the interests of the wider body of creditors and members rather than just their own interests.

Committee members

The current memberships are set out in the table below.

BBYL and BSA Committees of Inspection			
Member	Representative	Type	Claim
BBYL			
Richard Howes Pty Ltd	Richard Howes	Client	Futures
LL Phoenix Pty Ltd & Denant Pty Ltd	Long Vo-Phuoc	Client	Futures
Derivative Management & Consulting Pty Ltd	Clive Riseam	Client	Futures
Derrick Sutton	Derrick Sutton	Client	Futures
Alchemy Trading Pty Ltd	Julian Peters	Client	Options
Hamilton Capital Pty Ltd	Enzo Pirillo	Creditor	Asset sale
BSA			
Indexys Pty Ltd	Andrew Harrington	Creditor	Commission
Trent Mackie	Trent Mackie	Employee	Commission
Gavin Long	Gavin Long	Employee	Commission
Drew Metcalfe	Drew Metcalfe	Employee	Commission

Three former members of the BBYL Committee, Heather Cullen, Craig Morris and Paul Biggs have either vacated or resigned from their positions on the Committee since the commencement of the liquidation. It was not necessary to fill their roles as the BBYL Committee still has strong representation with 6 members.

Meetings

We report formally to the Committees and provide regular email updates. There have been 12 meetings of the Committees for BBYL and BSA since the companies were placed into liquidation:

BBYL and BSA Committees of Inspection meetings		
Date	BBYL	BSA
29 July 2015	✓	✓
08 September 2015	✓	✓
22 December 2015	✓	✓
06 April 2016	✓	X
08 September 2016	✓	X
18 October 2016	✓	X
30 November 2016	✓	X
22 February 2017	✓	X
23 February 2017	X	✓
17 March 2017	✓	X
24 July 2017	✓	X
25 July 2018	✓	X

The first 3 meetings of BBYL and BSA were held on a concurrent basis. Meetings of the BBYL Committee have been held separately from BSA since 6 April 2016 as the agendas included confidential material that was subject to legal professional privilege.

5.4. Overview of the liquidation process

BBYL

BBYL was the main trading entity and held client monies.

An overview of the status of the BBYL liquidation process is set out on the next page including a summary of key phases of work completed, in progress and remaining to be addressed in the winding up and steps towards the ultimate distributions to clients and creditors.

BSA

BSA was the employment company within the BBY business which dealt with most employees and contractors. BSA held no assets.

FEG, the Commonwealth Fair Entitlements Guarantee scheme, has processed \$1.87 million in respect of employee entitlements and ranks as a priority creditor for this amount in the liquidation of BSA.

There is a possibility of funds becoming available to priority creditors of BSA including FEG and former employees. This is discussed in more detail later in this report.

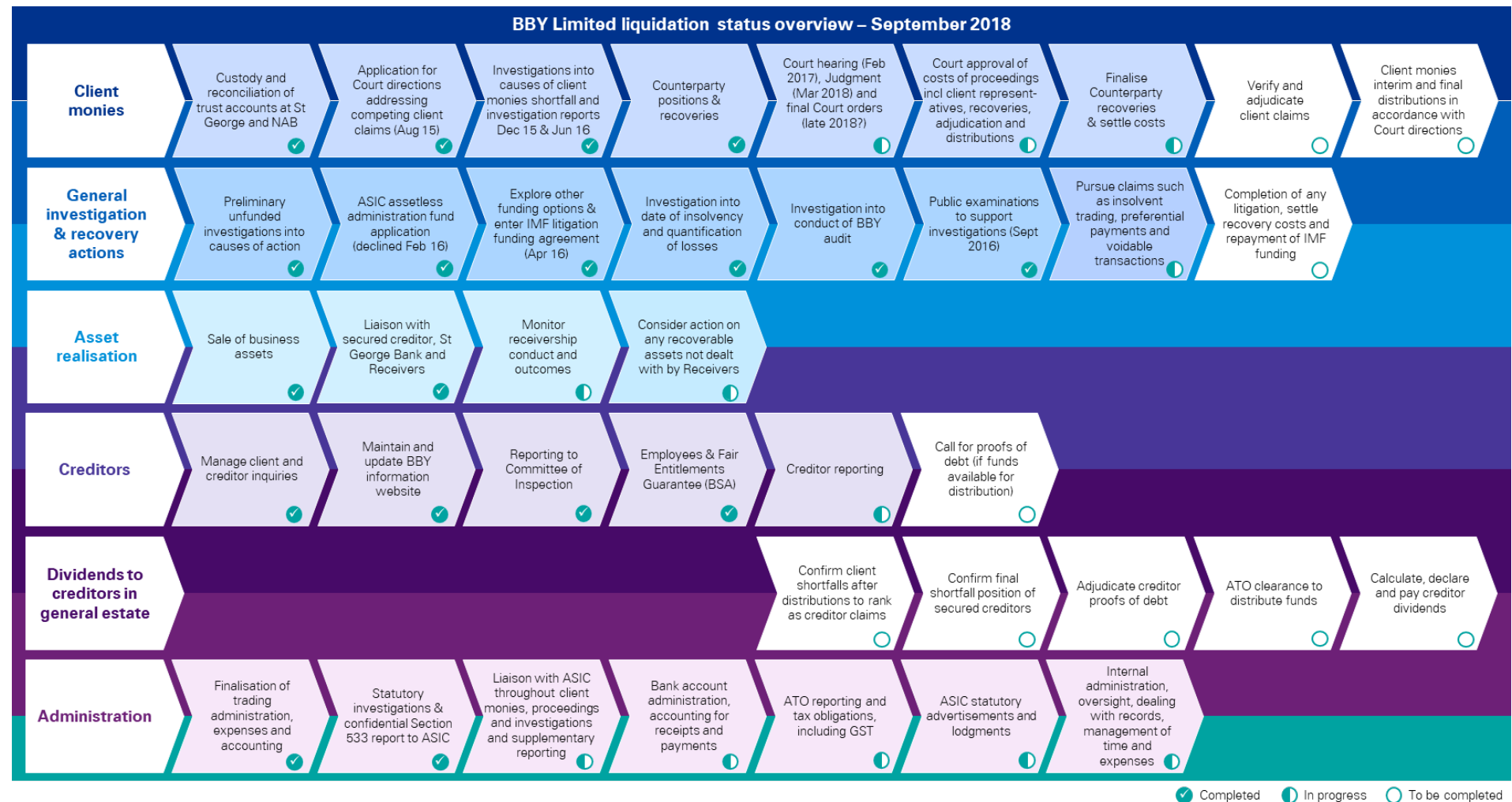
BBYH

BBYH was the parent entity of BBYL, BSA and BBYAS. This entity was head of the tax consolidated group of BBY, with GST being remitted by this company. The assets of this company mainly comprised of intercompany receivables from BSA, which are unlikely to be recoverable.

BBYAS

BBYAS was part of BBY's corporate finance business, although the majority of transactions were conducted through BBYL. BBYAS had no assets other than intercompany receivables and sundry debtors, which are unlikely to be recoverable.

BBYL liquidation overview



6. Background to BBY

For further information in relation to the background of the BBY business, refer to our first annual report to creditors, dated 9 September 2016, which set out statutory information, details of officers and shareholders, the trading history, structure of the BBY group. That report also set out the factors contributing to the failure of BBY and its collapse in May 2015.

7. Client monies

There are approximately 6,000 clients with claims to cash and assets held in trust.

Client claims total approximately \$62 million. The estimated value of client assets is approximately \$41 million and the estimated shortfall of assets against client claims is \$21 million before costs.

In our first annual report we discussed how client monies were managed, the profile of client claims, available client assets and the estimated shortfall against claims. We also set out the challenges in dealing with client monies, the results of our investigations and the Court directions proceedings.

Our second annual report provided updates on the court proceedings, costs incurred and paid, recoveries from counterparties and distributions of erroneous withdrawals and deposits. Please refer to the first and second annual reports for more detail regarding these matters.

7.1. Directions proceedings

The legal entitlement of each client was not clear and there was uncertainty about how client entitlements should be treated given the nature of our findings about how BBYL managed client accounts and the transactions we identified that may have led to the depletion of client monies. In August 2015 we applied to the Supreme Court of New South Wales for directions in relation to how client monies should be dealt with and ultimately distributed.

Representative defendants were appointed by the Court to represent the interests of the different classes of BBYL clients.

Court directions proceedings			
Defendant		Representing	Lawyers
1st	J Mazzetti Pty Ltd as trustee for J Mazzetti Pty Ltd Staff Superannuation Fund and others	ETOs clients with open positions at 15 May 2015	Partners Legal
2nd	Peter & Bronwen Haywood as trustees for the Haywood Superannuation Fund	Equities & ETO clients without open positions at 15 May 2015	Mills Oakley
3rd	Clive Riseam	Futures, FX, Saxo and Other clients	Corrs Chambers Westgarth
4th	Securities Exchanges Guarantee Corporation Limited as trustee of the ASX National Guarantee Fund	Non-representative defendant	Clayton Utz
5th	David Nadin	Interactive Brokers clients	Arnold Bloch Leibler

Set out below is a summary of developments in the client monies directions proceedings since our second annual report.

February 2017

The directions proceedings culminated in a Court hearing over 4 days between 31 January and 3 February 2017. Key issues before the Court included how client entitlements should be calculated and how funds in CSAs and recoveries should be distributed, including whether or not there should be pooling of some or all funds. The majority of evidence in the proceedings was contained in the two client monies investigation reports we produced and other material and analysis we provided to assist the Court and Representative Defendants. There was cross examination of Stephen Vaughan, one of the Liquidators as well as a former senior manager of BBYL, and the parties made extensive submissions setting out their respective positions on matters before the Court. The Court reserved judgment.

February 2018

In February 2018 we filed an application in Court setting out and seeking approval of a proposed process for verifying and adjudicating claims and making distributions. This is discussed in more detail later in this report.

March 2018

On 19 March 2018 Justice Brereton handed down his Judgment in relation to how client assets and monies should be dealt with and ultimately distributed among the 6,000 former clients of BBY Limited.

Key points from the Judgment include:

- BBY bank accounts which contain client monies (Client Segregated Accounts or CSAs) corresponding to the same product line should be pooled for the purpose of making distributions.
- The **Equities/ETOs** CSAs should not be pooled with other product line CSAs (and therefore the Equities/ETO assets will only be available for distribution to associated clients, after costs).
- As to the question of whether there should be pooling between **Saxo, FX and Futures**, Justice Brereton suggested that pooling may not be a proportionate response, however invited the parties to make further submissions on this point.
- As to recoveries:
 - recoveries from ADM and ABN AMRO are held on trust for clients entitled to money in the Futures CSAs;
 - recoveries from Halifax and CMC Markets are held on trust for clients entitled to money in the FX CSAs;
 - recoveries from Saxo Bank or SCMA are held on trust for clients entitled to money in the Saxo CSAs; and
 - Returned Collateral was received by BBY on behalf of ETO clients with open positions as at 15 May 2015.
- The Liquidators are entitled to set off positive net account balances against negative net account balances in all accounts owned by the same client.
- Interest earned on CSAs and recoveries is held on trust for clients of the respective product lines (with the result that these will add to the available funds for those clients).

- The Liquidators should treat clients who have an entitlement of \$100 or less in respect of any account as having no entitlement in respect of each such account.

The Court previously made orders in December 2016 with respect to client monies and assets in relation to the **Interactive Brokers** product line. The orders were that IB platform assets and claims could be dealt with separately and that IB clients may make a tracing claim in respect of IB assets. This issue was effectively on hold pending the outcome of the wider proceedings due to the prospect of applications by various of the Representative Defendants for a reallocation of costs from Equities and ETOs to other product lines including IB.

April 2018

A directions hearing was held on 5 April 2018 for the Liquidators to bring short minutes of Orders to give effect to the 19 March 2018 Judgment, and for further directions in the proceedings.

The Court set down the following timetable for next steps in the proceedings:

- The parties had until 28 May to make any submissions on whether the Saxo, Futures and FX assets should be pooled or whether this may not be necessary if the Liquidators reverse 6 transactions identified by the Court.
- The parties were to make any further written submissions by 28 May with respect to the date for calculation of client entitlements, to the intent that some date other than the date of appointment of administrators to BBY of 15 May 2015 should apply.
- The parties had until 28 May to make any further submissions in relation to the claim by the Receivers to approximately \$160,000 of debtor receipts held in the Equities / ETO funds.
- In respect of our most recent remuneration application before the Court and our application for approval of a process and our associated costs of verifying and adjudicating client claims the parties had until 26 April to lodge any affidavits and until 28 May to lodge any submissions.
- In respect to costs of the proceedings and any possible reallocation of costs, the parties were to notify us of all their costs to date and estimated future costs by 20 April. We were then to provide an updated summary of all costs to the parties and Court by 4 May along with modelling of 4 alternative scenarios requested by the parties for a possible reallocation as set out in the Orders. The parties were then to lodge any application to vary the previous costs Orders by 17 May, with accompanying submissions by 28 May.

Modelling scenarios

The scenarios modelled included the following:

- (a) the product lines bear the Representative Parties' costs and expenses and the Liquidators' costs, expenses and remuneration on a *pari passu* basis (calculated by reference to the *value of assets* held by each product line);
 - (aa) the product lines bear the Representative Parties' costs and expenses and the Liquidators' costs, expenses and remuneration on a *pari passu* basis (calculated by reference to the quantum of *client claims* in each product line); and
- (b) each product line bears its own Representative Party's costs and:
 - (i) the Liquidator's costs, expenses and remuneration on a *pari passu* basis by reference to the *quantum of client claims*; or

(ii) the Liquidator's costs, expenses and remuneration on a pari passu basis by reference to the *value of assets* held by each product line.

May 2018

In May we received updated details of costs of each of the Representative Defendants and, as ordered by the Court, provided detailed modelling of possible returns to clients after costs of the proceedings. This modelling is summarised below:

BBYL - comparison of indicative dividend rates under scenarios set out in Orders of 5 April 2018									
Scenario / product line / cents in dollar	Equities	ETO	ETO Margin	Futures	FX	Saxo	Carbon	IB	Other
Value of assets (a)	0.76	0.75	0.68	0.25	0.35	0.32	-	0.55	-
Value of client claims (aa)	0.87	0.86	0.77	0.16	0.29	0.26	-	0.58	-
Own costs scenario 2 (claims) (b)(i)	0.85	0.72	0.34	0.20	0.26	0.30	-	0.62	-
Own costs scenario 1 (assets) (b)(ii)	0.77	0.65	0.28	0.26	0.30	0.35	-	0.60	-

The table included most, but not all, of the approved costs (as some approved costs relate to Recoveries which had not been received).

The modelling was prepared on the following basis:

- Future legal fees for all parties are not included;
- Does not include an estimate of the Liquidators' future remuneration and costs in connection with any distribution of funds but does include estimated verification and adjudication costs;
- An estimate of GST refund receipts was included;
- Any potential transfer or pooling of funds referred to in Order 2 made on 5 April 2018 was not included;
- Distributions made to clients to date have been ignored for modelling purposes;
- Value of foreign securities have been expressed in Australian dollars calculated at exchange rates as at 31 March 2018; and
- That counterparty recoveries will be received for the full estimated amount based on recent reports.

We also prepared further modelling on the likely dividend outcomes in the event that non Equities/ETO and IB product lines (i.e. the Futures, FX and Saxo product lines) are treated as one pool.

BBYL - comparison of indicative dividend rates under scenarios set out in Orders of 5 April 2018							
Scenario / product line / cents in dollar	Equities	ETO	ETO Margin	Pooled FX Futures Saxo	Carbon	IB	Other
Value of assets (a)	0.76	0.75	0.68	0.29	-	0.55	-
Value of client claims (aa)	0.87	0.86	0.77	0.22	-	0.58	-
Own costs scenario 2 (claims) (b)(i)	0.85	0.72	0.34	0.25	-	0.62	-
Own costs scenario 1 (assets) (b)(ii)	0.77	0.65	0.28	0.30	-	0.60	-

This modelling was included in an affidavit filed on 6 June 2018.

June 2018

In June 2018 we filed a number of affidavits and 3 sets of submissions in the proceedings, including:

- Submission on issues of pooling, reversals and calculations; addressing points from the 19 March Judgment and Orders of 5 April 2018;
- Submission on our remuneration; relating to an unheard application in August 2017 for approval of approximately \$486,000 in fees relating to the period from October 2016 to April 2017; and
- Submission on costs redistributions; relating to proposals from the Mazzetti (first Representative Defendant, Equities open positions) Haywood (second Representative Defendant, Equities) and Nardin (fifth Representative Defendant, IB) for a reallocation of costs.

In June we also wrote to all Representative Defendants, following on from previous correspondence, seeking agreement that we liquidate the various remaining assets held by Saxo and convert these to Australian dollars. We arranged for the Receivers to release to us the FX Halifax funds and for ABN AMRO to remit funds held on behalf of Futures.

We wrote to the lawyers for Interactive Brokers clients, advising that the Liquidators remained of the view that it is preferable that the remaining assets held by IB be sold. We considered that, in the alternative, allowing IB clients the opportunity to make and prove tracing claims will present an administrative burden and could result in significant additional costs being incurred. In any event, it may, subject to final Court Orders, be necessary for the IB product line to meet a proportion of the costs of the proceedings.

On 19 and 20 June 2018 a number of submissions were filed by the various Representative Defendants.

At the hearing on 22 June 2018, his Honour heard and considered evidence and submissions from the parties in relation to the issues arising from his judgment of 19 March and the directions of 5 April and he reserved judgment. In summary, the outcome of the hearing was as follows:

- No party put any submission against pooling Saxo, Futures and FX product lines;
- No party objected to the Liquidators adopting a calculation date for client entitlements based on BBY's last trading day (being 15 May 2015), or, for positions traded on 18 or 19 May 2015 relevant close-out data;
- No party objected to the substance of the Liquidators' proposed approval process and associated costs (other than in respect of the allocation of the costs) of verifying and adjudicating client claims, however the Fifth Defendant proposed that the process ought to preserve the ability of IB product line clients to be able to assert a tracing claim over assets should they wish to do so;
- The parties had differing views on the manner in which costs should be reallocated across product lines; and
- The Court determined to adjourn the Liquidators' remuneration application, to a date to be determined.

We now await judgment in respect of:

- the possible pooling of Saxo, Futures and FX product lines;
- the calculation date for entitlements;
- approval of the process and costs of verifying and adjudicating client claims (required before we can commence this process); and
- the possible reallocation of costs across product lines.

7.2. Erroneous Withdrawal and Erroneous Deposit clients

'Erroneous Withdrawals' was a term coined during the directions proceedings to describe \$2.4 million in margin calls made on 19 May 2015 in respect of Exchange Traded Options where BBY did not settle its margin obligation with ASX Clear. These funds formed part of client monies across a number of product lines.

'Erroneous Deposits' refers to funds received by BBYL after the date of administration, whilst the business was traded by the Receivers, which were made for a purpose which failed, for example in anticipation of future trading that did not occur.

Erroneous Withdrawal and Erroneous Deposit clients were asked to verify claims and provide details to facilitate distributions. We utilised the services of Link Market Services, including its call centre, mailing and emailing facilities and banking functions. In accordance with Orders of the Court on 12 October 2016, we have processed all claims verified to date and paid approximately \$1.8 million to 102 EW and ED clients.

There remains a portion of unclaimed funds relating to clients who have not verified their details. This presumably mostly relates to instances where the contact details we have are incorrect and further efforts will be made to contact all clients who do not respond.

7.3. Verification, adjudication and distribution

The Court has not yet provided the directions required in order to commence the process of verifying and adjudicating claims and distributing other client funds.

There remain a number of issues before the Court to be resolved before this will occur, including the relevant date for calculation of claims, whether or not to pool Saxo, Futures and FX, the Receivers' claim, approval of the further costs of all parties in the proceedings and the proposals for reallocation of costs between product lines.

The Liquidators wish to be in a position to distribute available client monies to the wider client base as soon as possible. This will be subject to the proceedings and the processing of claims, as well as the recovery of counterparty funds.

A process is required to confirm and verify the accuracy of all individual claims and provide for resolution of any disputed claims prior to distributions of funds.

Proposed process

In February 2018 we filed an application in Court setting out a proposed process for verifying and adjudicating claims and making distributions, and we sought approval of the process and associated costs.

We plan to utilise a bespoke online portal, specifically designed, constructed and managed by Link Market Services to our requirements. We will publish notifications advising of the intended process on the BBY information webpage and a webpage maintained by Link, and in a national newspaper and the ASIC Gazette. A summary of the proposed process is set out below.

Verification

Clients will be able to access the Link Portal to obtain information and verify records or update various details and provide any further required information. Clients with no internet access will be able to complete the process via mail.

If, within 90 days of the Link Portal becoming accessible to clients, a client does not log in to the Link Portal and confirm claim and other details, or submit details by other means, then the client will be taken to have accepted the details according to the available records.

Adjudication

Where a client disagrees with the available records and makes a further claim the Liquidators will, within 28 days, notify the client as to whether or not the Liquidators propose to vary or alter the client's claim and that determination shall be binding unless a court determines any application by the client, made within 28 days of receipt of the Liquidators' determination.

First and subsequent distributions

A number of possible scenarios regarding returns to clients were modelled for the Court in May 2018. These are set out in section 7.1.

Before all client monies can be distributed, any remaining recoveries must be realised and any outstanding costs approved by the Court will need to be settled. This will necessitate one or more interim distributions, with a final distributions to follow once these matters are finalised.

Once all client claims over \$100 each have been verified (and adjudicated where required), and assuming no orders are made requiring in specie distributions to be made, a distribution model will be created which will calculate the distributions to each client based on the judgment handed down in the proceedings, available funds, costs and accepted claims. Sufficient funds will be retained (i.e. not initially distributed to clients) in order to provide for:

- Any future distributions which may ultimately need to be made to clients whose claims may be the subject of dispute or an appeal to the Court; and
- Costs, Liquidators' remuneration and expenses, approved or quantified as at the date of the distributions.

Once the distribution quantum has been calculated and confirmed, the Liquidators will give notice under section 60 of the Trustee Act and, upon expiration of the notice period will make the initial distributions to each client via Link in the form of electronic funds transfers or cheque.

In the event that a client does not claim, cannot be located or contacted after reasonable attempts, cannot be paid for any reason (including no or incorrect banking details) or does not cash any cheque comprising the client's entitlement, and that situation prevails for 6 months from the expiration of the distribution notice, then that client's entitlement will be regarded as forfeited and will be dealt with as unclaimed money and paid to ASIC.

The Liquidators intend to liaise with SEGC during the process in relation to any client claims, the rights to which it has been wholly or partially subrogated as a result of payments made by SEGC out of the National Guarantee Fund to the respective clients.

At a later stage, if there are sufficient general recoveries in the liquidation, that is, proceeds other than from CSAs or recoveries, there will be a wider creditor related process for submission and adjudication of claims. The Liquidators will treat any shortfall between a client's claim and distributions made as an unsecured debt or claim against BBYL and, subject to any rights of set off, propose to admit the client as an unsecured creditor in the liquidation of BBYL for such amount without requiring a formal proof of debt or claim in the liquidation.

Estimated costs of verification stages

We submitted to Court a detailed analysis of estimated costs of the verification stage of the process (including designing, constructing and managing the bespoke Link Portal) which included Link costs of approximately \$420,000 and Liquidators' costs of \$195,000, plus GST. Our estimate included an assumption, based on our previous experience with the distribution process in relation to Erroneous Withdrawals and Erroneous Deposits, that approximately 20% of all clients will contact the Liquidators during the process. The total estimated cost of the verification process is approximately \$615,000 plus GST (the GST should be recoverable and reimbursed to client monies). If the assumptions are not borne out and the estimated costs are exceeded, we intend to apply to Court, seeking such further approval as required.

Estimated costs of adjudication stage

We are unable to predetermine how many clients will seek to submit material claiming a different amount to that notified to them as part of the verification process. We therefore estimated a range of likely costs for conducting the adjudication stage of between approximately \$410,000 and \$1,800,000 plus GST.

The lower end of the estimate range, which includes various cost components, is based on an assumption that 250 claims require adjudication by the Liquidators, whilst the higher end of the range assumes 1,250 claims require adjudication. This does not include any legal costs that may be incurred in respect of any court applications challenging the Liquidators' final determination in respect of a client's claim.

Estimated costs of distribution stage

We submitted our application prior to the Judgment being handed down in March. At that time we were unable to estimate our likely costs for conducting the required work in relation to the distribution stage of the process. This remains the case given the directions proceedings are continuing. We intend to prepare and file a further interlocutory process seeking prior approval of these costs.

8. Creditors

Total creditor claims in the liquidation of BBYH, BBYL, BSA and BBYAS could exceed \$40 million excluding intercompany liabilities. Details of claims by company were set out in our previous annual report. We provide an update below.

8.1. Secured creditors

St George Bank holds a security interest over property of BBYL and other group companies including BBYH, BSA, BBYAS, and BBYPN and was owed approximately \$12.8 million.

On 18 May 2015 Receivers and Managers from PPB were appointed by St George over 3 BBY companies; BBYH, BBYL and BBYAS. In May 2017, Brett Lord, one of the Receivers, was replaced by Mark Robinson as a co appointee with Stephen Parbery. On 30 June 2018, St George Bank appointed Martin Madden and Cassandra Mathews, both of KordaMentha, as Receivers and Managers of these 3 BBY companies, replacing Stephen Parbery and Mark Robinson of PPB.

Statutory accounts lodged by the Receivers to November 2017 indicate gross realisations of over \$11 million, costs of approximately \$5 million, net returns to St George of approximately \$6 million and a remaining secured debt to St George of approximately \$8 million. The Receivers estimated completion of the receivership by November 2018 subject to the court proceedings. During 2017 St George commenced proceedings against Glenn Rosewall in the Supreme Court of NSW seeking a judgment against him under a personal guarantee and indemnity he provided as surety for the facilities provided by St George to BBY. We are not privy to the current status of this matter.

There were a number of other suppliers holding security interests registered on the Personal Property Securities Register relating to asset leases and other financial arrangements.

8.2. Employees

As outlined in earlier sections of this report, BSA was the employment company within the BBY business which dealt with most employee and contractors. Where FEG meets a claim it has a subrogated right in the liquidation in respect of any recoveries.

We processed 12 distributions on behalf of FEG to 87 former employees for a gross amount of \$1.75 million. Since 1 July 2016 all claims approved by FEG are now paid directly by the Department of Employment. As at the date of this report, FEG had advanced \$1.87 million to meet employee entitlements in BSA.

8.3. Adjudication of proofs of debt

If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors as a dividend where their claims have been admitted. Claims are normally made in the form of a 'proof of debt'. The Liquidators undertake a formal process of adjudicating upon each proof before admitting creditor claims to participate in dividends.

The Liquidators are not calling for submission of proofs of debt at this time. We will notify creditors if there are likely to be funds available for distribution and, in that case, will call for formal proof of debt forms to be lodged.

8.4. Dividend process

Generally, the order in which funds are distributed is:

- costs and expenses of the liquidation including liquidators' fees
- outstanding employee wages and superannuation
- outstanding employee leave of absence (including annual leave, sick leave where applicable and long service leave)
- employee retrenchment pay, and
- unsecured creditors.

Each category is paid in full before the next category is paid. If there are insufficient funds to pay a category in full, the available funds are paid on a pro rata basis.

It is too soon to estimate whether there will be funds available for a dividend.

9. Recovery initiatives

The Receivers took possession of and realised assets subject to the St George security. There are no material assets available in the liquidations.

There are no prospects of any return to creditors (other than former clients in respect to client monies) except from possible recoveries resulting from potential causes of action available to the Liquidators. This was discussed in detail in our first and second annual report.

In April 2016 the BBYL Committee of Inspection approved a litigation funding arrangement with IMF Bentham Limited to support additional investigations and possible recovery actions. This included the public examinations held in late 2016. In February 2017, the litigation funding agreement with IMF was amended in order to include BBYH and BSA.

Set out below is an update in relation to various recovery actions.

9.1. Insolvent trading claim

Directors have statutory duties under section 588G of the Corporations Act to prevent trading whilst insolvent. Liquidators have the ability to seek damages from directors who allow companies to trade whilst insolvent.

Upon completion of our investigations, including the public examinations, we issued demands against the Directors and their insurers in respect to compensation for insolvent trading. A formal mediation of our insolvent trading claim was held in April 2017. An in principle agreement was reached where the Directors and the insurer were prepared, subject to a number of conditions, to pay a sum to settle all claims. However the agreement was not finalised due to a number of conditions not being met. Negotiations with the various parties continued since. Given the confidential nature of these matters, we cannot disclose any further information at this stage. We will provide further information when we are in a position to do so.

In the event an outcome cannot be reached, the Liquidators will consider their options which include commencing legal proceedings against the Directors.

9.2. Preference payments

In late 2017 we commenced claims against a number of parties for recovery of payments made during the period prior to the voluntary administrations which constitute voidable transactions.

The claims are summarised below.

Preference claims		
Company	Creditor	Claim size (\$)
BBYL	Australian Stock Exchange	1,334,093
BBYL	IRESS	434,049
BBYL	BDO East Coast	125,268
BBYL	Indicium	93,977
BBYL	Access Networks	53,051
BSA	ATO – PAYG	777,077
BSA	Revenue NSW	110,813
BBYH	ATO – GST	170,000
Total		3,098,328

Each party denied liability and therefore, in May 2018, we commenced proceedings against these parties.

A number of these claims have recently been the subject of negotiations and in principle settlements.

We reached settlements with Access Networks and Communications Pty Ltd, Indicium Technology Group Pty Ltd and the Australia Taxation Office.

However the details remain confidential at this stage as we are conscious that other proceedings are continuing.

9.3. Related Party claims

In May 2018 we also commenced proceedings in respect of approximately \$6 million of claims against related parties, including:

- \$3.1 million against Ficema Pty Ltd (a company associated with Ken Rosewall);
- \$303,000 against Glenn Rosewall; and
- \$2.5 million against GARF Pty Ltd (a company associated with Glenn Rosewall).

These claims are in respect of related party loan repayments around the time of the Aquila Resources transaction in June 2014 (which was discussed in our previous reports).

Court timetables have been set down for these matters, including the preference payments and related party transactions, for further filings and directions hearings in late October.

9.4. Possible claim against external Auditor

BDO East Coast Partnership (and prior to that PKF, which BDO acquired in 2012) had been the auditor of BBY since at least 2003. Mr Tim Sydenham worked each year on the audit and led the audit from at least 2005.

As discussed in our previous annual report, we considered there are possible causes of action available to BBY against Mr Sydenham and BDO in relation to the conduct of audits of BBY.

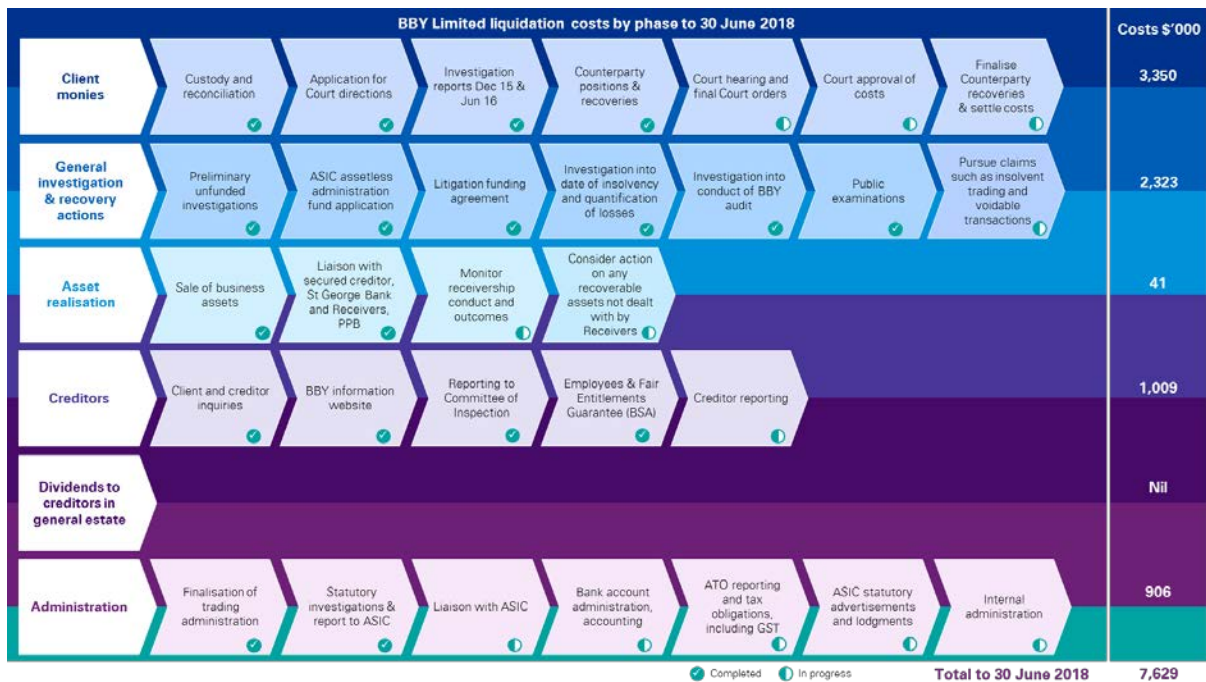
This falls within the scope of the secured charge held by St George Bank and it therefore has a right of priority in respect of any recovery ahead of unsecured creditors.

This possible cause of action remains under consideration.

10. Liquidation expenses

10.1. BBYL fees to 30 June 2018 by work phase

Set out below is a snapshot of total liquidation fees over 3 years to 30 June 2018 by phase of work across the client monies and general liquidation.



BBYL creditors and the Committee of Inspection have approved \$7.41 million in Liquidators' remuneration for the 32 month period from 22 June 2015 to 28 February 2018, encompassing:

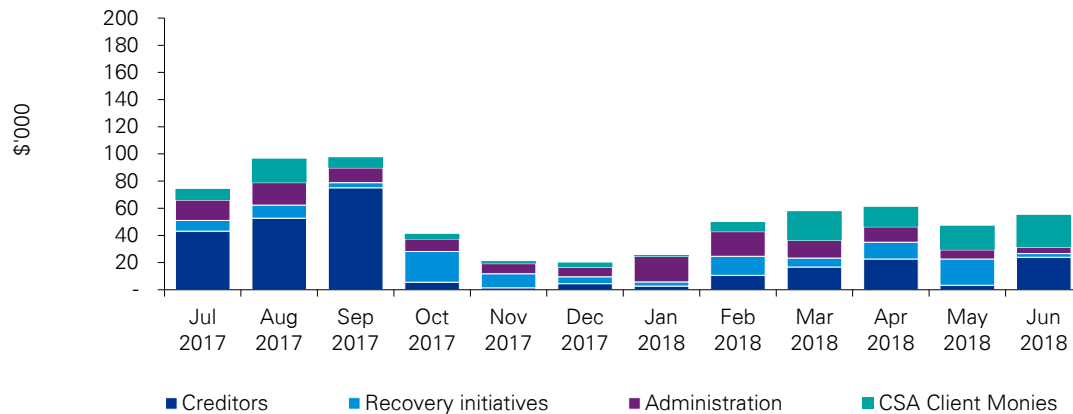
- The early period of the liquidation, including seeking litigation funding for recoveries;
- Managing client monies and recovering from counterparties;
- The client monies directions proceedings;
- Initial distributions to clients;
- Investigations, public examinations and reporting to ASIC;
- Recovery actions;
- Reporting to creditors and the Committees of Inspection and managing the estates.

Remuneration actually paid to the Liquidators totals \$2.4 million and our unpaid fees total \$5.2 million.

Some of our unpaid remuneration will be paid from client asset realisations and a portion will only be recovered in the event there are sufficient recoveries from the general estate.

Set out below is an analysis by month showing where effort has been directed during the last 12 months of the liquidation from July 2017 to June 2018, reflecting increasing activity in relation to client monies during the Court hearings from February to June 2018, continued recovery actions work and dealing with creditors.

Monthly breakdown of Liquidators' fees incurred



10.2. BBYL July & August 2018 estimate

In the period from July to August 2018, the Liquidators carried out approximately \$171,000 of work including in relation to client monies, unfunded recovery actions work and general unfunded work.

10.3. BBYL client monies related expenses to 30 June 2018

Total time costs for the liquidation period from 22 June 2015 to 30 June 2018 have been \$7.6 million, including \$3.4 million in respect of client monies and \$4.2 million in the general liquidation.

Costs in respect of client monies relate to managing client monies, recovering counterparty assets, conducting the client monies investigations and producing evidence for and managing the Court directions proceedings. Most of these time costs were incurred during late 2015 whilst preparing the first client monies investigation report, in early 2016 preparing the supplementary report and in December 2016 and January 2017 preparing for the final hearing.

An analysis of these costs by grade of staff is set out below for the period to 30 June 2018.

BBYL Liquidators' Client monies fees to 30 June 2018		
Position	Hours	\$'000
Appointee	898	584
Partner	12	8
Director	15	9
Associate Director	1,292	711
Manager	2,292	1,146
Executive	790	276
Senior Analyst	75	19
Analyst	1,633	327
Administration & Other	1,933	271
Total	8,940	3,350

The Committee have approved the Liquidators fees to 28 February 2018 including client monies related fees.

Pursuant to the existing costs regime, the Liquidators remuneration in relation to client monies is subject to the approval of the Court.

We have submitted four applications to the Court for our remuneration, costs and expenses for the periods to 31 October 2015, 31 January 2016, 30 September 2016 and 30 April 2017 respectively. The first 3 applications have been approved and the fourth is before the Court.

10.4. BBYL legal expenses to 30 June 2018

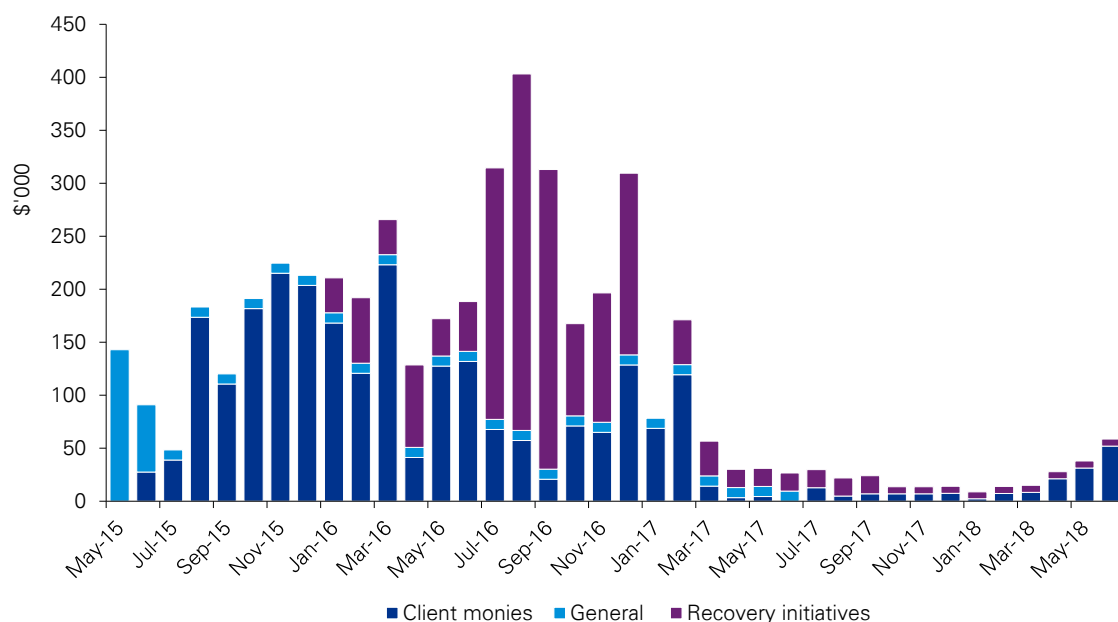
Ashurst and counsel provide services in relation to a wide range of matters including the client monies proceedings, counterparty recoveries, recovery investigations including the public examinations and solvency review as well as general liquidator's recoveries and associated legal actions.

Set out below is a summary of the accrued legal costs of Ashurst and counsel to 30 June 2018 for BBYL. Total legal costs to 30 June 2018 are approximately \$4.7 million excluding GST. This includes \$2.5 million in respect to client monies.

BBY legal costs to 30 June 2018									
\$m	Ashurst			Counsel			Total		
	Client	General	Total	Client	General	Total	Client	General	Total
General Liquidation									
Voluntary Administration	-	0.2	0.2	-	-	-	-	0.2	0.2
Liquidation	2.2	1.7	3.9	0.3	0.2	0.5	2.5	2.0	4.5
Total fees	2.2	1.9	4.1	0.3	0.2	0.5	2.5	2.2	4.7

Set out below is an analysis by month of legal fees, reflecting the decreasing activity in relation to client monies, and the increased activity of recovery investigations since July 2016.

Monthly breakdown of Legal fees incurred



Work funded by litigation funder, IMF Bentham

A portion of the time costs for the period to 30 June 2018 include \$0.8 million relating to IMF funded investigations, including the public examinations, solvency analysis and mediation.

We have billed IMF \$0.5 million to date which has been paid into the liquidation account and drawn.

To the extent that there are costs beyond the amount of litigation funding, we have continued this work on a contingency basis against the prospect of future recoveries.

10.5. BBYH

At the second meeting of creditors in the voluntary administration, the creditors approved the Liquidators fees up to \$50,000. For the period 22 June 2015 to 30 June 2018 the time and costs incurred have been \$30,267, although the Liquidators have not drawn fees or costs as no funding is available to do so.

10.6. BBYAS

At the second meeting of creditors in the voluntary administration, the creditors approved the Liquidators fees up to \$50,000. For the period 22 June 2015 to 30 June 2018 the time costs incurred were \$24,915 although the Liquidators have not drawn fees or costs as no funding is available to do so.

10.7. BSA

At the second meeting of creditors in the voluntary administration, the creditors approved the Liquidators fees up to \$100,000. To date, no fees have been drawn, although \$30,000 of fees will be drawn in due course which was received from the FEG in relation to fees for the distribution of employee entitlements. For the period 22 June 2015 to 30 June 2018 the time costs incurred have been \$254,324.

11. Receipts and payments

11.1. BBYL general liquidation

Liquidators normally maintain accounts and report to creditors and to ASIC on a cash receipts and payments basis.

Set out below is a summary of receipts and payments in the administration and liquidation from 17 May 2015 to 30 June 2018. This analysis excludes client monies accounts, which are discussed further below.

Liquidators' Receipts and Payments for the period 22 June 2015 to 30 June 2018					
\$'000	BBYL	BSA	BBYH	BBYAS	Total
Receipts					
Transfer from client monies for costs	7,285	-	-	-	7,285
Transfer from client monies for client distributions	1,780	-	-	-	1,780
Counterparty receipts (subsequently transferred to CSAs)	456	-	-	-	456
General estate recoveries	144	-	-	-	144
Securities Exchanges Guarantee Corporation	3	-	-	-	3
Pre appointment cash	-	10	-	-	10
Working capital & contribution to costs by AIMS	500	-	-	-	500
Asset sales - share of proceeds (balance to St George)	263	-	-	-	263
FEG advances for Liquidators fees	-	29	-	-	29
Advances from FEG for distribution	-	1,746	-	-	1,746
Tax - business activity statement refunds	403	-	-	-	403
Insurance refund	-	1	-	-	1
Litigation funding - IMF Bentham Ltd	523	-	-	-	523
Subpoena costs reimbursements (various)	17	-	-	-	17
Distribution from Smartrader Hometrader DOCA	-	82	-	-	82
Total Receipts	11,374	1,868	-	-	13,242
Payments					
Court approved costs - client monies					
Liquidators	(1,718)	-	-	-	(1,718)
Legal fees - Ashurst and Counsel	(1,789)	-	-	-	(1,789)
Representative defendants					
1st defendant - legal fees - Partners Legal	(1,091)	-	-	-	(1,091)
2nd defendant - legal fees - Mills Oakley	(1,489)	-	-	-	(1,489)
3rd defendant - legal fees - Corrs Chambers	(850)	-	-	-	(850)
5th defendant - legal fees - ABL	(377)	-	-	-	(377)
Distributions to Erroneous Deposit clients	(1,780)	-	-	-	(1,780)
Link Market Services - client monies	(32)	-	-	-	(32)
Voluntary Administrators' remuneration	(88)	-	-	-	(88)
Liquidators' remuneration (general estate)	(533)	-	-	-	(533)
Legal fees - Ashurst & Counsel (general estate)	(120)	-	-	-	(120)
Net FEG Distributions to employees	-	(1,340)	-	-	(1,340)
Link Market Services (inc printing & mailing costs)	(191)	-	-	-	(191)
Reimbursement of AIMS working capital funds	(100)	-	-	-	(100)
GST & PAYG taxes	(79)	(408)	-	-	(487)
Employees	(72)	-	-	-	(72)
Venue hire - creditors meetings	(12)	-	-	-	(12)
Other	(35)	(6)	-	-	(41)
Total payments	(10,356)	(1,754)	-	-	(12,110)
Funds on hand at 30 June 2018	1,018	114	-	-	1,132

11.2. BBYL client monies

The Liquidators took custody of approximately 50 client trust accounts held with St George, NAB and BNZ in a variety of currencies. The client monies accounts earn interest and bank charges are applied to maintenance of the accounts.

Set out below is a summary of receipts and payments relating to the client segregated accounts from 22 June 2015 to 30 June 2018.

BBYL – Client Segregated Accounts - Receipts & Payments from 22 June 2015 to 30 June 2018			
\$'000 (AUD)	30-Jun-17	Movement	30-Jun-18
Receipts			
Opening CSA cash balance	14,283	-	14,283
Post appointment client receipts	244	-	244
Interest income	203	79	281
Dividend income	21	-	21
Counterparty recoveries	5,516	-	5,516
Other	47	0	47
Total receipts	20,314	79	20,393
Payments			
Court approved costs	(7,285)	-	(7,285)
Bank charges	(3)	(1)	(4)
Client distributions	(362)	(1,4119)	(1,787)
Foreign currency gain/(loss)	(390)	-	(390)
Total payments	(8,040)	(1,420)	(9,460)
Closing CSA cash balance at 30 June 2018	12,275	(1,342)	10,933

11.3. BBYH

There have been no receipts and payments in this company since the date of appointment.

11.4. BBYAS

There have been no receipts and payments in this company since the date of appointment.

11.5. BSA

At the date of appointment there was \$10,300 in the BSA bank account, which was transferred into the liquidators account. We have received \$23,000 in receipts from FEG for services performed assisting with the employee claim process and transfer of monies to former employees. The majority of transactions in BSA during the period to 30 June 2017 have related to advances received from FEG in order to make net distributions of \$1.3 million, and PAYG withholding tax remitted to the ATO of \$0.4 million.

12. Costs of client monies directions proceedings

Costs to date

Pursuant to the Court Orders of 5 April 2018, to assist with our modelling, the parties to the directions proceedings were required to notify us of all their costs to date, effectively including costs that had not yet been submitted to Court for approval.

Set out in the table below is a summary of costs to April 2018 (excluding GST), incorporating the information provided.

BYL – Costs of client monies directions proceedings to April 2018 (exclusive of GST)				
\$'000 (excluding GST)	Approved	Pending	Yet to be submitted	Total
Liquidators	2,931	443	118	3,492
Ashurst (on behalf of Liquidators)	2,300	-	-	2,300
1 st - Partners Legal (Mazzetti / ETO open positions)	992	-	95	1,087
2 nd - Mills Oakley (Haywood / Equities & ETO closed positions)	1,354	-	53	1,406
3 rd - Corrs Chambers Westgarth (Riseam / Futures, FX, Saxo & other)	772	-	34	806
5 th - Arnold Bloch Leibler (Nadin / Interactive Brokers clients)	346	25	-	371
Total	8,695	468	299	9,462

Where Goods and Services Tax have been charged, associated tax refunds will be reimbursed to the relevant CSA.

Costs paid

Each time we pay Court approved costs of the directions proceedings we calculate the apportionment between CSAs and recoveries in compliance with Court orders, then sweep funds from the CSA accounts to a general liquidation account from which payments are made (as reflected in the account of receipts and payments for the general liquidation). Not all of the approved costs have been paid. In some instances, approved costs relate to work on counterparty recoveries that have not yet been realised. We have not yet paid all of the Liquidators' and Ashurst's approved client costs.

As of April 2018 we have made the following disbursements in Court approved costs of the directions proceedings (including GST):

BBYL - costs paid April 2018 (including GST)								
AUD \$'000	Equity/ ETO	ETO Margin	Futures	FX	Saxo	IB	Other	Total
Cost paid from CSAs & recovery accounts								
Liquidators	1,121	300	138	114	29	0	16	1,718
Ashurst (on behalf of Liquidators)	1,181	234	151	122	52	0	17	1,759
1st - Partners Legal (Mazzetti / ETO open positions)	786	305	-	-	-	-	-	1,091
2nd - Mills Oakley (Haywood / Equities & ETO closed)	1,038	-	273	104	44	15	15	1,489
3rd - Corrs CW (Riseam / Futures, FX, Saxo & other)	577	-	171	58	25	10	9	850
5th - Arnold Bloch Leibler (Nadin / Interactive Brokers)	276	-	55	28	11	2	4	377
Total costs paid from CSAs & Recovery accounts	4,980	838	789	426	161	28	61	7,283

13. Estimated outcome for creditors

Our first annual report included high level guidance as to the process for treatment of liquidation recoveries (excluding client monies), expenses and calculation of funds available for distribution to creditors.

The estimated outcomes for clients and other creditors in the liquidation will differ given the different treatment of claims to client monies and other liquidation realisations. A number of possible scenarios regarding returns to clients were modelled for the Court in May 2018. These are set out in section 7.1.

Given uncertainty around future orders of the Court in relation to client monies, the amount of possible client losses, the quantum of creditor claims and the amount of any recoveries from liquidator actions it is not yet possible to provide any meaningful estimate of returns to creditors from the BBYL liquidation.

At this stage, we do not estimate that funding will become available for a distribution to the unsecured creditors of BBYH and BBYAS.

In the event there are successful recoveries in BSA, a dividend to priority creditors is likely, although we cannot provide an estimated return given there are still a number of uncertainties which could have a material impact on any returns.

14. Communications

Information website

Upon our appointment we established an information website www.kpmg.com/AU/bby to facilitate communications with former clients and creditors. The website contains copies of notices and reports to creditors, our initial and supplementary client monies investigation reports, key court documents, answers to frequently asked questions and other material. The website is updated on a periodic basis for material developments of interest to clients and creditors.

We previously reported that, during the 26 months from May 2015 to June 2017 there have been over 27,000 page views and over 12,000 document downloads for viewing.

There have been over 4,000 further page views between July 2017 and March 2018 with over 300 additional document downloads. Most of the views have, not surprisingly, been in relation to the client monies pages and documents.

Email

We established a dedicated email hotline AU-FMBBY@kpmg.com.au to assist in responding to inquiries. We previously reported that, during the 26 month period to 30 June 2017, we have responded to over 2,000 email inquiries via the dedicated email hotline AU-FMBBY@kpmg.com.au. We continue to receive substantial level of inquiries as well as requests to update contact details and the like.

15. Statutory matters

Supplementary reporting to ASIC

External administrators have a range of obligations to report to, and lodge documents with ASIC.

This includes confidential reporting if it appears to the external administrator that there have been breaches of the Corporations Act. We have reported a number of matters to ASIC and have provided various assistance.

Lodgements

As part of our statutory obligations we are required to attend to various tasks during the period of appointment. In the 12 month reporting period from 22 June 2017 to 21 June 2018 we have completed the following:

- Lodged an account of our receipts and payments (Form 524) with ASIC for the 6 month period ending from 22 June 2017 to 21 December 2017 and 22 December 2017 to 21 June 2018;
- Completed the second annual report to creditors for BBYL, BBYH, BSA and BBYAS on 21 September 2017;
- Lodged minutes of Committee of Inspection meetings; and
- Submitted BAS lodgements to the ATO.

16. How to keep up to date

The most convenient way to keep up to date with developments in the liquidations is to periodically check the BBY creditor information website where we publish significant news.

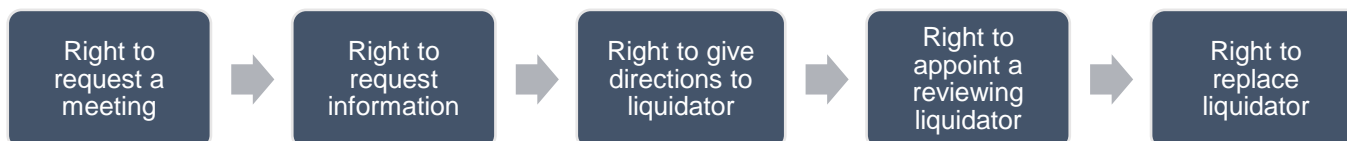
This information can be obtained at www.kpmg.com/AU/bby

END OF REPORT

Appendix A – Creditor Rights in Liquidations

Creditor Rights in Liquidations

As a creditor, you have rights to request meetings and information or take certain actions:



Right to request a meeting

In liquidations, no meetings of creditors are held automatically. However, creditors with claims of a certain value can request in writing that the liquidator hold a meeting of creditors.

A meeting may be requested in the first 20 business days in a creditors' voluntary liquidation by $\geq 5\%$ of the value of the debts held by known creditors who are not a related entity of the company.

Otherwise, meetings can be requested at any other time or in a court liquidation by:

- $> 10\%$ but $< 25\%$ of the known value of creditors on the condition that those creditors provide security for the cost of holding the meeting
- $\geq 25\%$ of the known value of creditors
- creditors by resolution, or
- a Committee of Inspection (this is a smaller group of creditors elected by, and to represent, all the creditors).

If a request complies with these requirements and is 'reasonable', the liquidator must hold a meeting of creditors as soon as reasonably practicable.

Right to request information

Liquidators will communicate important information with creditors as required in a liquidation. In addition to the initial notice, you should receive, at a minimum, a report within the first three months on the likelihood of a dividend being paid.

Additionally, creditors have the right to request information at any time. A liquidator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the liquidation, and the provision of the information would not cause the liquidator to breach their duties.

A liquidator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the liquidator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

Requests must be reasonable.

They are not reasonable if:

Both meetings and information:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) there is not sufficient available property to comply with the request
- (c) the request is vexatious

Meeting requests only:

- (d) a meeting of creditors dealing with the same matters has been held, or will be held within 15 business days

Information requests only:

- (e) the information requested would be privileged from production in legal proceedings
- (f) disclosure would found an action for breach of confidence
- (g) the information has already been provided
- (h) the information is required to be provided under law within 20 business days of the request

If a request is not reasonable due to (b), (d), (g) or (h) above, the liquidator must comply with the request if the creditor meets the cost of complying with the request.

Otherwise, a liquidator must inform a creditor if their meeting or information request is not reasonable and the reason why.

Right to give directions to liquidator

Creditors, by resolution, may give a liquidator directions in relation to a liquidation. A liquidator must have regard to these directions, but is not required to comply with the directions.

If a liquidator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons.

An individual creditor cannot provide a direction to a liquidator.

Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a liquidator's remuneration or a cost or expense incurred in a liquidation. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

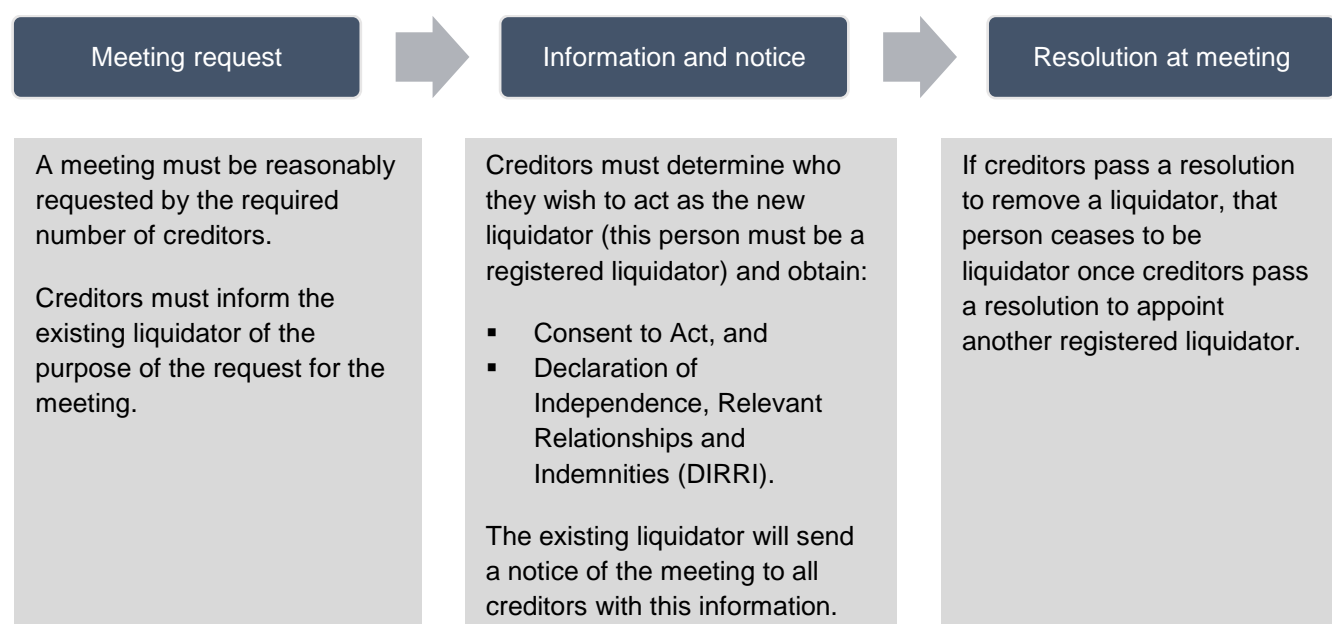
The cost of the reviewing liquidator is paid from the assets of the liquidation, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the liquidator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

Right to replace liquidator

Creditors, by resolution, have the right to remove a liquidator and appoint another registered liquidator.

For this to happen, there are certain requirements that must be complied with:



For more information, go to www.arita.com.au/creditors