



**Halifax Investment Services
Pty Ltd (In Liquidation)
ACN 096 980 522**

**Halifax New Zealand Ltd (In
Liquidation)
ACN 096 980 522**

Report to Investors and Creditors

31 August 2020

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1 Executive Summary

Key Issue	Section ref
<p>What is the purpose of this Report?</p>	<p>The purpose of this report is to provide an update to Investors and creditors in relation to the status of the liquidations of Halifax AU and Halifax NZ and the progress of the proceedings currently before the Federal Court of Australia (FCA) and the High Court of New Zealand (HCNZ) in relation to the distribution of Client Moneys.</p>
<p>What is the current status of my account?</p>	<p>All client accounts remain in 'close only' mode – i.e. it is not possible to enter into new positions, nor is it possible to withdraw money from client accounts, however, it is possible to close out open positions.</p>
<p>Will I get my money back and how long will it take to receive a distribution?</p>	<p>Given the deficiency in Client Moneys, comprised of breaches of trust (which may be made up in whole or in part by future recovery actions) and the costs of the liquidation (including ongoing operating expenses, fees incurred by the Voluntary Administrators and Liquidators and legal fees), Investors will not receive their full entitlement from the assets currently held by Halifax AU and Halifax NZ.</p> <p>Although unforeseen circumstances may unfold, as things presently stand most investors should receive a substantial portion of their money back.</p> <p>The amount that Investors will receive in the distribution will depend on the directions given by the Courts and value of the portfolio when investments are realised (or an <i>in specie</i> distribution is carried out). Investors should refer to section 9 which outlines the likely return to Investors on the basis of certain assumptions.</p> <p>However, there may be a possibility of further recoveries from various investigations being undertaken by the Liquidators which could result in additional future proceeds being available.</p> <p>Due to the time required to verify Investor claims and apply the directions and orders made by the Courts to these claims and distribute available assets, we estimate that following receipt of final Court directions and orders after the hearing of all issues, it will take at least 6 months to make a distribution.</p> <p>The Liquidators do not anticipate that a distribution to all Investors will be made prior to June 2021 and the distribution may not be complete until after that time.</p>
<p>What is the current value of the Halifax portfolio (meaning the total balance of Investor accounts on the IB AU, IB NZ, MT4 and MT5 platforms)?</p>	<p>Investor account balances have increased from \$211.6 million as at 23 November 2018 to \$264.8 million as at 31 July 2020, an increase of \$53.2 million or 25%. Please note, this represents an increase in Investor account balances owing to Investors, and is not an indication of assets held by Halifax AU and Halifax NZ.</p>
<p>What is the current value of assets held by Halifax AU and Halifax NZ?</p>	<p>The value of the assets held by Halifax AU and Halifax NZ as at 31 July 2020 is \$231.6 million.</p> <p>Having regard to the value of assets held by Halifax compared with the total quantum of Investor account balances, there is a deficiency in Client Moneys as at 31 July 2020 of \$33.2 million.</p>

<p>What is the value of open positions and will the Liquidators make a decision to close out?</p>	<p>As at 31 July 2020, the value of the extant investments held on the IB AU, IB NZ platforms and in the IB AU Prop Account (as a hedge for positions on MT5), was \$139.3 million. This value is a more accurate reflection of funds which could be realised in circumstances where the Liquidators were required to close out all extant investments as at 31 July 2020 than the value of open positions on the various trading platforms outlined above.</p> <p>On 23 April 2020, the FCA made orders to the effect that the Liquidators are justified in refraining from realising any and all extant investments until the determination of all substantive issues in the proceeding. The HCNZ made equivalent orders on 5 May 2020.</p>	<p>Section 7</p>
<p>What is the status of the Joint Proceedings regarding distribution of Client Moneys?</p>	<p>Proceedings were commenced by the Liquidators of Halifax AU in the FCA on 3 July 2019 and the Liquidators of Halifax NZ in the HCNZ on 25 September 2019 seeking directions as to how the Liquidators should distribute Client Moneys.</p> <p>The FCA and the HCNZ have agreed to co-operate and hold joint hearings. Five Representative Defendants have been appointed to represent various issues and two related parties have joined to the proceedings to represent their own interests.</p> <p>A date has been set for the final hearing of the principal issues in the proceedings of 30 November 2020, with an estimated length of up to two weeks.</p>	<p>Section 4</p>
<p>What is the outcome of the tracing work undertaken by the Liquidators?</p>	<p>Our investigations have determined that it is not practically feasible to trace the majority of individual client deposits, as funds have been deposited or transferred into a deficient mixed fund.</p> <p>However, there are particular and unique circumstances which may well mean that some Investor assets are traceable (or identifiable without the need for tracing), in particular where Investors transferred stocks into IB through other stockbrokers and those stocks have not been sold or traded (this issue is being represented by the Third Defendant in the Joint Proceedings).</p>	<p>Section 5.2</p>
<p>What does the commingling of Investor funds mean for me?</p>	<p>Our investigations indicate that there is extensive commingling of Halifax AU and Halifax NZ Client Moneys across all platforms (IB AU, IB NZ, MT4 and MT5) in the majority of accounts operated by the Halifax Group (with the relatively minor exception referred to in section 4.1.3, which is the position being represented by the Third Defendant.</p> <p>Investors may consider that their funds are not commingled because they are able to see the balance of cash and shares reflected in their account statements. However, the commingling is so extensive that, combined with a deficiency of funds, the possibility that the funds of other Investors were used for transactions in those accounts cannot be discounted. In other words, given the commingling, it is not possible in most cases to identify whose money has been used to pay for which investment or expense.</p>	<p>Section 4.1.4</p>

<p>Why is the Court process necessary?</p>	<p>The Court process is necessary for two reasons:</p> <ol style="list-style-type: none"> 1. All Client Moneys are held on trust for the benefit of Investors and are considered to be ‘trust funds’ rather than assets of Halifax AU and Halifax NZ. Given the deficiency in trust funds, and the disparate views advanced by various Investors or categories of Investors, it has been necessary for the Liquidators of Halifax AU and Halifax NZ to seek directions from the Courts as to how the competing interests and arguments of Investors should be resolved. 2. Having regard to the extensive commingling of Client Moneys across jurisdictions, and our investigations which indicate that it is not practically feasible to trace individual investor accounts, it is necessary for the Liquidators to seek directions and/or judicial advice as to how to proceed and to enable a distribution to Investors as promptly as possible. 	<p>Section 4.1.4</p>
<p>What is the purpose of the Representative Defendants?</p>	<p>The purpose of the appointment of the Representative Defendants is to ensure that all Investors have an opportunity to be represented before the Courts in relation to the issues that arise in determining how the funds should be distributed.</p> <p>It is a way of ensuring that all Investors have a mechanism to be heard. The categories have been structured in such a way that all Investors are represented by one or more of the categories.</p> <p>We have also pursued this approach and strategy because, in our view given that all Investors represented by the various representatives will be bound by the decision of the Courts, this will reduce the risk of appeals of any judgment made by the Courts in relation to the distribution of Client Moneys which may have the effect of delaying the distribution of funds to Investors.</p>	<p>Section 4.5</p>
<p>How are the expenses incurred by the Liquidators (including legal fees) currently being paid?</p>	<p>The Liquidators of Halifax AU and Halifax NZ have made various applications to the FCA and the HCNZ to request access to Client Moneys to fund the ongoing cost of the liquidations.</p> <p>A full outline of all costs incurred to date is included in section 10.</p>	<p>Section 8.5</p>
<p>What is the status of the investigations in relation to the conduct of the Directors and Former Directors of Halifax AU and Halifax NZ and other third parties being undertaken by Halifax AU and Halifax NZ?</p>	<p>The Liquidators have progressed investigations in respect of potential recovery actions including the recovery of director loan accounts and other antecedent transactions, auditor and accountant negligence claims, insolvent trading claims and other claims against directors and former directors. Whether these potential actions are pursued further will depend on a number of factors, including the evidence available to the Liquidators, the availability of funding, the merits of any legal proceedings, and the likely return if successful.</p> <p>Given these matters are still under investigation and may be before the Courts in the future, the Liquidators are not in a position to provide further details in addition to the information provided in Section 6.</p>	<p>Section 6</p>

<p>What is ASIC doing?</p>	<p>ASIC has advised that the Director and Former Director of Halifax AU have been banned from providing financial services for six years, effective from 29 April 2019. The conduct on which ASIC made this decision based on the conduct of the Director and Former Director in relation to a separate matter.</p> <p>We are working closely with ASIC to assist with its enquiries (including responding to information requests), however ASIC does not share with us the status and findings of its investigations until such time as these are largely complete. On this basis, we are unable to provide any further details at this stage.</p> <p style="text-align: right;">Section 6.2.3</p>
<p>What is the total remuneration incurred by the Liquidators of Halifax AU and Halifax NZ and how is it being assessed</p>	<p>Total fees incurred paid to the Voluntary Administrators and Liquidators of Halifax AU and Halifax NZ from 23 November 2019 to 31 May 2020 is AU\$6.7 million.</p> <p>Total legal fees incurred and paid in the liquidation of Halifax AU and Halifax NZ is AU\$7.7 million.</p> <p>The remuneration incurred by the Liquidators of Halifax AU and Halifax NZ will exceed the estimates provided in November 2018. The reasons for this are outlined in Section 11.</p> <p>All remuneration incurred and paid to the Liquidators of Halifax AU and Halifax NZ is subject to review by an independent third party assessor who has been appointed by the Courts.</p> <p>Once remuneration has been reviewed, the independent third party assessor is required to provide his report to the Courts. Payment can only be made to the Liquidators once approval has been received from either the FCA (for Halifax AU) or the HCNZ (for Halifax NZ).</p> <p style="text-align: right;">Section 11</p>
<p>What will happen next?</p>	<p>The Liquidators of both Halifax AU and Halifax NZ are working closely with their legal advisors to prepare for the final hearing which is scheduled to commence on 30 November 2020.</p> <p>We will continue with keep Investors and creditors updated in relation to the status of the proceedings.</p> <p style="text-align: right;">Section 2.1</p>

2 Introduction

Key takeaways

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| 1 | <p>The purpose of this report is to provide Investors and creditors with an update in relation to the status of the liquidation of the Halifax Group. This report should be read in conjunction with the information contained on the KPMG website at the following links:</p> <p>Halifax AU: https://home.kpmg/au/en/home/creditors/halifax-investment-services.html</p> <p>Halifax NZ: https://home.kpmg/au/en/home/creditors/halifax-nz-limited.html</p> |
| 2 | <p>Given the deficiency in Client Moneys Investors will not receive their full entitlement from the assets currently held by Halifax AU and Halifax NZ.</p> |
| 3 | <p>The final hearing of the principal issues in the Halifax AU and Halifax NZ insolvency proceedings has been listed to commence on 30 November 2020, with an estimated length of two weeks.</p> <p>The Liquidators do not anticipate that a distribution to all Investors will be made prior to June 2021 and the distribution may well not be complete until after that time.</p> <p>At this stage, it is unlikely that there will be a return to unsecured creditors (ie trade and broker creditors who are not Investors).</p> |

2.1 Background

This report should be read in conjunction with the information contained on our website including:

- The VA Report for Halifax AU dated 12 March 2019;
- The VA Report for Halifax NZ dated 14 March 2019; and
- Other updates and reports to Investors and creditors.

Links to these documents are as follows:

Halifax AU: <https://www.ferrierhodgson.com/au/creditors/halifax-investment-services-pty-ltd>

Halifax NZ: <https://home.kpmg/au/en/home/creditors/halifax-nz-limited.html>

Given the deficiency in Client Moneys, comprised of breaches of trust (which may be made up in whole or in part by future recovery actions) and the costs of the liquidation (including liquidators fees, legal fees and ongoing operating expenses), Investors will not receive their full entitlement. The amount that Investors will receive in the distribution will depend on the directions given by the Courts and value of the portfolio when investments are realised (or an *in specie* distribution is carried out).

Investors should refer to section 9 which outlines the likely return to Investors on the basis of certain assumptions.

The final hearing of the principal issues in the Joint Proceedings has been listed to commence on 30 November 2020, with an estimated length of up to two weeks.

Due to the time required to apply the directions given by the Court to verify approximately 12,000 Investor claims and distribute available assets, we estimate that following receipt of final court directions and orders after the hearing of all issues, it will take at least 6 months to make a distribution.

The way in which Investor claims will be dealt with will occur strictly in accordance with and by reference to the directions and orders provided given by the Courts. This means the Liquidators are not able to even start the verification and distribution process until such time as the final hearing has been held and the Courts have given all relevant directions and orders.

The speed by which a distribution will be able to occur will depend on a number of factors, including particularly the nature and complexity of the orders and directions given by the Courts, the time taken to sell assets which may need to be realised, the process for assessing investor claims, and the impact of the deficiency.

As a result, the Liquidators do not anticipate that a distribution to all Investors will be made prior to June 2021 and the distribution may well not be complete until after that time.

2.2 Declaration of independent, relevant relationships and indemnities (DIRRI) - Halifax AU

Enclosed with the initial circular to creditors dated 26 November 2018, was the Administrators' DIRRI pursuant to section 436DA of the Corporations Act 2001 and the ARITA Code.

Subsequent to the appointment as Administrators of Halifax NZ, an updated DIRRI was lodged with ASIC on 27 November 2018. The DIRRI dated 27 November 2018 was tabled at the first meeting of creditors of Halifax AU.

The DIRRI disclosed information regarding the Administrators' and Liquidators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' or Liquidators' independence.

The Liquidators have prepared an updated DIRRI which is dated 28 August 2020. The key change is this DIRRI confirms that the merger of Ferrier Hodgson and KPMG has taken place. We reiterate that we have not identified any real or potential risks to the Liquidator's independence as a result of this acquisition.

3 Matters addressed during the liquidation

The focus since the commencement of the Liquidation has been:

1. Preparing Court applications (in Australia and New Zealand) for directions to enable the distribution to Investors as soon as possible; and
2. The investigation of potential recovery actions including the potential for proceedings against current and former directors and other third party advisors.

More specifically, the following matters have been attended to:

Action taken towards achieving distribution of Client Moneys

- Liaising with our Australian and New Zealand legal representatives to define an aligned legal strategy to seek directions from the Courts in both Australia and New Zealand for, amongst other things, the distribution of Client Moneys;
- Commencing court proceedings in the FCA and HCNZ seeking orders, amongst other things, for judicial advice in respect of the distribution of Client Moneys and the cooperation of both Courts such that the proceedings be heard together;
- Preparing for hearings in the FCA and joint case management hearings between the FCA and HCNZ;
- Liaising with our legal representatives in relation to the preparation of evidence and other documentation for the purposes of making an application to the Courts on the treatment and distribution of Client Moneys. That evidence included the following:
 - An overview of the structure and operations of the Halifax Group (including the various bank accounts held by the Halifax Group and the trading platforms on which Investors traded);
 - An analysis of the extent of the commingling of Client Moneys across the Halifax Group, including an analysis on the flow of funds through the MT4, MT5, IB AU and IB NZ trading platforms, various bank accounts operated by the Halifax Group and investigations of transactions in various bank accounts;
 - An analysis setting out the results of a number of case studies of a sample of clients, including tracing exercises in respect of transactions undertaken by those sample clients from the time of opening their account to the redemption process;
 - An analysis of when the date on which the deficiency in Client Moneys arose, including the preparation of detailed analysis in relation to the use of Client Moneys for non-trust purposes from 2009 onwards;
 - An analysis at various points in time in relation to the movement in the investor portfolio since November 2018;
 - An analysis in relation to potential issues with closing out investor positions;
 - An analysis of the potential methods of distribution of Client Moneys to Investors as well as a detailed analysis of the benefits and limitations of a cash versus an *in specie* distribution; and
- Liaising with our legal representatives in relation to various complex matters regarding the tracing of Investor deposits and share transactions;
- Reviewing over 35,000+ transactions to provide detailed documentary evidence to support an application to Court for directions about the treatment of Client Moneys;
- Seeking to recover Client Moneys held with third party offshore merchant facility providers;
- Preparing the Investor Notice dated 15 November 2019 for the purpose of, amongst other things, identifying potential Representative Defendants, seeking the approval of the FCA and HCNZ to the issue of the Investor Notice to all Investors and collating responses to this notice;
- Conducting a detailed tracing analysis in respect of certain Investors, including the preparation of a detailed tracing analysis for 65 Investors who responded to the Investor Notice dated 15 November 2019 (which was

approved by the FCA and HCNZ and invited Investors to, amongst other things respond or make suggestions to the Liquidators in respect of certain matters within a specific timeframe). This involved reviewing account statements for each of the 65 Investors, preparing a separate tracing workbook for each Investor including a detailed analysis for every deposit made by the Investor throughout the course of their investment in Halifax AU and Halifax NZ as well as an analysis of all internal transfers to form a view as to whether shares remaining in each Investor's account may be traceable.

- Liaising with Representative Defendants to assist with responding to Court applications;
- Attending to distribution of investor correspondence to all Investors via email and post in accordance with Court Orders;
- Attendance and preparation for Investor information sessions held in Australia and New Zealand; and
- Liaising with investors in relation to the return of funds received post appointment.

Investigations and antecedent transactions

- Continuing investigations in relation to the conduct of the Halifax AU Director, the Halifax AU Former Director and other third party advisors including a detailed review of all books and records available, investigating the employment entitlements of the Halifax AU Director and Halifax AU Former Director, review of loan accounts in the name of the Halifax AU Director and Halifax AU Former Director and the preparation of detailed analysis in relation to these matters as well;
- Determining the strategy in relation to the recovery of potential antecedent transactions;
- Investigation in relation to the Halifax NZ Director and the conduct of third party advisors of Halifax NZ
- Correspondence with the ATO in relation to the recovery of antecedent transactions including the preparation of a detailed report in relation to the date of insolvency of Halifax AU;
- Regular liaison with ASIC in Australia and the FMA in New Zealand on the status of our investigations.
- Responding to information requests from ASIC and the FMA to assist in their investigations into potential director misconduct; and
- Conducting investigations into whether any conduct of the Director and Former Directors of Halifax NZ, or the work of any third party advisors, may give rise to recovery claims by Halifax NZ or the Liquidators.

Other tasks

- Attending to ongoing operational matters to maintain the trading platforms and a basic back office infrastructure;
- Liaising with former employees and the Department of Employment in relation to the payment of outstanding employee entitlements under the Fair Entitlements Guarantee Scheme (Halifax AU); and
- Attendance to statutory requirements.

4 Update on Joint Proceedings

Key takeaways	
1	<p>Our investigations have disclosed that there is extensive commingling of Client Moneys across the IB AU, IB NZ, MT4 and MT5 platforms in the majority of accounts operated by the Halifax Group.</p> <p>Our tracing work has determined that having regard to the commingling, it is not practically feasible to trace the majority of individual client deposits.</p> <p>Accordingly, it is necessary for the Liquidators to seek directions and/or judicial advice as to how to proceed and to enable a distribution to Investors as promptly as possible.</p>
2	<p>Proceedings were commenced by the Liquidators of Halifax AU in the FCA on 3 July 2019 and the Liquidators of Halifax NZ in the HCNZ on 25 September 2019 seeking directions as to how the Liquidators should distribute Client Moneys.</p>
3	<p>The FCA and the HCNZ have agreed to coordinate the conduct and hearing of the Australian proceedings and the New Zealand proceedings. All substantive case management hearings have been heard by both Courts together and the same will apply to the final hearing.</p>
4	<p>Five Representative Defendants have been appointed to represent various issues and two related parties have joined to the proceedings to represent their own interests.</p>
5	<p>The final hearing is listed to commence on 30 November 2020, with an estimated length of up to two weeks.</p>

4.1 Background to Joint Proceedings

4.1.1 Deficiency in Client Moneys

The deficiency in Client Moneys as at 23 November 2018 is estimated to be approximately \$19.0 million (before taking into account any costs and any recoveries that may be made in the future).

Please see section 8.3 for an update on the movement in the deficiency from 23 November 2018 to 31 July 2020.

The Liquidators' views as to the reasons for the deficiency in Client Moneys which existed at the date of the appointment of the Voluntary Administrators are as follows:

- Use of Client Moneys to fund operational losses; and
- Improper operation of trust accounts and improper application of Client Moneys.

4.1.2 Flow of funds and commingling

Our investigations indicate that there is extensive commingling of Halifax AU and Halifax NZ Client Moneys across all platforms (IB AU, IB NZ, MT4 and MT5) in the majority of accounts operated by the Halifax Group (with the relatively minor exception referred to in section 4.1.3, which is the position being represented by the Third Defendant).

Investors may consider that their funds are not commingled because they are able to see the balance of cash and shares reflected in their account statements. However, the commingling is so extensive that, combined with a deficiency of funds, the possibility that the funds of other Investors were used for transactions in those accounts cannot be discounted. In other words, given the commingling, it is not possible in most cases to identify whose money has been used to pay for which investment or expense.

The Liquidators have undertaken a review of over 30,000 transactions in accounts operated by the Halifax Group as at the date of the appointment of the Administrators and have determined that there is no pattern behind the transfer of funds between the Halifax Group accounts and that funds appear to have been transferred on an 'ad hoc' basis.

The Liquidators' investigations to date indicate that funds invested by MT4 and MT5 Investors may have been used to 'top up' the accounts of IB Investors, and vice-versa. On this basis, funds deposited by Clients on the IB platform were not segregated from funds deposited by Clients on the MT4 and MT5 platform (except for the short time when the funds were in the relevant suspense account to which the investor has made a deposit). Accordingly, Client Moneys appear to have been commingled across all platforms and between Clients of Halifax AU and Halifax NZ.

A more detailed analysis of the flow of funds through the Halifax Group account structure is set out in the Funds Flow Memorandum (**the Funds Flow Memo**) and the Case Study Memorandum (**Case Study Memo**), both of which are exhibited to the affidavit of Ian Sutherland (a Director at KPMG) filed on 31 July 2019 and available at the following link.

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-5-redacted-exhibited-ips1-filed-31-july-2019.pdf>

4.1.3 Traceability of individual accounts

A substantial amount of work has been undertaken in determining whether it is possible to identify and trace individual investor deposits into funds held in relation to the IB AU, IB NZ, MT4 and MT5 platforms. This work is detailed in the Case Study Memorandum which is available at the following link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-9-redacted-case-study-memo-25-june-2019.pdf>

The case studies which formed the basis of the Case Study Memorandum involved the review of source documentation in relation to each step of an investor's lifecycle, including the original opening of an account, deposits of investor funds, credit to the trading platforms, trading on the platforms and redemption of funds.

The Liquidators' investigations in this regard have determined that it is not practicably feasible to trace the majority of individual client deposits considered in the case studies, as funds have been deposited or transferred into various bank accounts of Halifax AU and Halifax NZ which constitute a 'deficient mixed fund'. This means that these deposits are not feasibly traceable to any individual client. The costs of tracing each individual investor (of which there are over 11,900) would be disproportionate to the amount of the deficiency and benefit that Clients would likely obtain from such an exercise and, further, the commingling combined with the deficiency in Client Moneys would preclude traceability.

However, there are particular and unique circumstances which may mean that some investor assets are traceable, in particular where Investors transferred stocks into IB through other stockbrokers and those stocks have not been sold or traded (this issue is being represented by the Third Defendant in the Joint Proceedings).

4.1.4 Consequences of commingling and inability to trace

The Liquidators have sought directions and/or judicial advice as to how to enable a distribution to Investors as promptly as possible. This was necessary for two reasons:

1. All Client Moneys are held on trust for the benefit of Investors and are considered to be 'trust funds' rather than assets of Halifax AU and Halifax NZ. Given the deficiency in trust funds, and the disparate views advanced by various Investors or categories of Investors, it has been necessary for the Liquidators of Halifax AU and Halifax NZ to seek directions from the Courts as to how the competing interests and arguments of Investors should be resolved.
2. Having regard to the extensive commingling of Client Moneys across jurisdictions, and our investigations which indicate that it is not practicably feasible to trace individual investor accounts, it is necessary for the Liquidators to seek directions and/or judicial advice as to how to proceed and to enable a distribution to Investors as promptly as possible.

Proceedings were commenced by the Liquidators of Halifax AU in the FCA on 3 July 2019 and the Liquidators of Halifax NZ in the HCNZ on 25 September 2019 seeking directions as to how the Liquidators should distribute Client Moneys.

4.2 Proceedings commenced in the FCA and HCNZ

Directions have been sought from the Courts in both Australia and New Zealand to determine (amongst other things):

- How the funds held should be distributed;
- Whether assets held in foreign currencies should be converted to AUD (or NZD);
- Whether open investment positions should be sold, closed out or realised and if so when, and in what manner and to what account(s) should the proceeds be paid;
- The date on which the value of investor claims should be calculated;
- Whether client balances across multiple accounts should be netted off;
- Whether small investor claims should be disregarded by the Liquidators for distribution purposes and if so whether the threshold should be \$100 or another amount;
- Whether the funds affected by the commingling should be treated as a single pooled fund.
- Whether any form of in specie distribution is possible; and
- Whether, as the shareholders of Halifax AU now contend, the Investors are creditors in the liquidation rather than beneficiaries of a trust. Having considered legal advice, the Liquidators do not believe that this claim will be successful and do not consider, (except as to costs and then only to a very minor extent) that it will result in any reduction from the pool of funds available to Investors.

The key milestones in the Joint Proceedings include:

- The FCA and the HCNZ have agreed to cooperate and hold joint hearings. This is a unique event and has resulted in an enormous time and cost saving as a result of having to engage on one rather than two sets of proceedings.
- Five Representative Defendants have been appointed to represent various issues and two related parties have been joined to the proceedings to represent their own interests.
- Two shareholders of Halifax AU have been joined to propound an argument that Client Moneys were held on trust for Investors. The Liquidators are reasonably confident that the position adopted by the shareholders is not sustainable.
- A date has been set for the final hearing of the principal issues in the proceedings of 30 November 2020, with an estimated length of up to two weeks.

Date	Key milestone
3 July 2019	<p>Filing of application in the FCA requesting directions / judicial advice regarding issues arising for the distribution of Client Moneys. The Interlocutory Process filed in the FCA on 3 July 2019 can be viewed here:</p> <p>https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-1-redacted-interlocutory-process-3-july-2019-filed-31-july-2019.PDF</p>
29 July 2019	<p>Initial hearing in the FCA regarding the Liquidators application for a letter of request to be issued by the FCA to the HCNZ.</p>

25 September 2019	Filing of application regarding distribution of Client Moneys in the HCNZ. Originating Application filed in the HCNZ on 25 September 2019 can be viewed here: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-high-court-new-zealand-originating-process-25-september-2019.pdf
15 November 2019	Issue of November 2019 Investor Notice to all Investors. A copy of the notice is available at the following link: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-investor-notice-15-november-2019.pdf
18 December 2019	First joint case management hearing of the FCA and the HCNZ by way of audio visual link.
18 February 2020	Joint procedural hearing of the FCA and HCNZ by way of audio visual link, at which time the representative parties were appointed to the four categories outlined in the November 2019 Important Notice.
3 April 2020	Joint hearing of the FCA and HCNZ by way of Microsoft Teams was held at which time two further parties were joined to the proceeding and a final hearing date of 30 November 2020 was set down.
23 April 2020 / 5 May 2020	Decisions of FCA and HCNZ that the Liquidators are justified in refraining from realising any and all extant investments until the determination of all substantive issues in the Joint Proceedings. See section 7 of this Report for further information. FCA: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-au-judgement-orders-j-gleeson-23-april-2020.pdf HCNZ: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-judgment-5-may-2020.pdf
22 May 2020	Joint hearing regarding appointment of an independent referee regarding remuneration, and joint hearing of application regarding sources of funding for ongoing costs. See decisions of FCA and HCNZ of 2 July 2020 and section 11 of this Report for further information. FCA: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-orders-reasons-justice-gleeson-2-july-2020.pdf HCNZ: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-judgment-high-court-nz-appointment-referee-2-july-2020.pdf
22 June 2020	Plaintiffs' evidence in the Joint Proceedings filed. Please see list of evidence at section 5.4 of this Report.
31 July 2020	Joint hearing regarding issues to be addressed by the Representative Defendants and consideration of whether expert evidence is necessary held. On the same day a hearing of the FCA took place to hear a joinder application from the majority shareholders, Jeffrey Worboys and Hong Kong Capital Holdings Pty Ltd.

4.3 Joint sitting between the FCA and the HCNZ

4.3.1 Application for letter of request for cooperation between jurisdictions

On 29 and 30 July 2019, the initial hearing of the Liquidators' application took place before Justice Gleeson in the FCA in respect of the Liquidators' request that the FCA issue a letter of request seeking cooperation from the HCNZ for the coordination of the Australian and New Zealand proceedings.

The Liquidators are of the view that the benefits of a joint sitting are twofold:

1. **Mitigates risk of inconsistent judgment:** The joint sitting mitigates the risk that the Courts hand down separate judgments that are inconsistent which would make it difficult or even impossible for the Liquidators in AU and NZ to comply with the directions of one Court without being in breach of an order or obligation in the other jurisdiction.
2. **Cost and efficiency:** A joint sitting is more cost effective given that the same or substantially similar evidence will be heard in both applications and any issues that arise will be brought to the attention of both Courts at the same time. This gives rise to a very large saving of costs.

Following responses from Investors to the November 2019 Investor Notice (described below) about the proposed cooperation between the FCA and HCNZ, at separate case management hearings held in the HCNZ on 12 December 2019, and the FCA on 13 December 2019, the Courts agreed to hold a joint procedural hearing, a key milestone in this matter. The first joint case management hearing took place by way of audio-visual link on 18 December 2019.

This is an unprecedented approach which will achieve significant time and costs savings for Investors.

4.4 Investor Notice – 15 November 2019

4.4.1 Contents of the Notice

To understand the issues in respect of which Investors sought to have represented in the Joint Proceedings and to give Investors the opportunity to be heard in respect of those matters, the Liquidators of Halifax AU and Halifax NZ issued the November 2019 Investor Notice (the **November 2019 Investor Notice**).

The November 2019 Investor Notice outlined the proposed next steps in the Court applications in both Australia and New Zealand and invited Investors to return questionnaires outlining their views in relation to the following issues:

- The application for proposed cooperation between the Courts; and/or
- The opportunity to indicate as a representative of a group, seek to be heard by the Court in relation to individual circumstances or suggest other issues, not already captured by the proposed representative investor groups, which Investors believe bear on the property way to distribute the trust funds; and/or
- The application for directions and/or judicial advice in respect of the close out of investor positions.

4.4.2 Investor information sessions

Given the legal nature of the representative process, the Liquidators held a series of information sessions in Auckland and Sydney on 25 and 27 November 2019 to provide information regarding:

- The flow of funds through the Halifax account structure and the extent of the commingling of Investor funds;
- The deficiency in Investor funds;
- Tracing work undertaken to date;
- Issues for determination by the Courts; and
- The movement of the Halifax AU and Halifax NZ portfolios as a whole and the significance of the date of verification of Investor claims.

These sessions were well attended with a total of 257 Investors attending the sessions in person and via webcast.

4.4.3 Response to the Notice

The Liquidators received a total of 172 responses to the November 2019 Investor Notice. A summary of responses received is as follows

Annexure	Comments	Number of responses
The issue of a joint sitting (Annexure A)	No material objections were received in relation to the proposed joint sitting between the HCNZ and the FCA	8
Nomination of representative defendants and issues which bear on the way in which funds should be distributed and the opportunity to be heard about their individual circumstances, (Annexure B)	65 Investors claimed that they considered their funds to be traceable for a variety of reasons including that they transferred stocks to their Halifax account from another broker, funds in the account were transferred into the account prior to the date on which the deficiency in client funds arose or that funds were visible in their account immediately following the transfer of funds. Key points raised by Investors included: <ul style="list-style-type: none"> - Arguments for and against a date of verification of Investor claims being 23 November 2018 (the date of the appointment of the Voluntary Administrators to Halifax AU). - Various proposals for the distribution of funds and allocation of the deficiency to Investors. - Requests from investors for a method of distribution which would result in the timeliest return to Investors. 	96
The issue of close out (Annexure C)	Of the 68 Investors who responded: <ul style="list-style-type: none"> - 49 (72%) stated that they did not want Investor positions to be closed out; - (11) Investors responded on the issue without propounding a clear position; and - 8 Investors supported closing out. 	68

All responses received have been reviewed by the Liquidators and have been provided to the Courts. The Liquidators will not be addressing on an individual basis the issues raised by Investors in their responses. The appropriate forum for relevant issues to be addressed is through the Court process which is currently underway.

4.5 Appointment of the Representative Defendants

The purpose of the appointment of the Representative Defendants is to ensure that all Investors have an opportunity to be represented before the Courts in relation to the issues that arise in determining how the funds should be distributed.

It is a way of ensuring that all Investors have a mechanism to be heard. The categories have been structured in such a way that all Investors are represented by one or more of the categories. We have also pursued this approach and strategy because, in our view given that all Investors represented by the various representatives will be bound by the decision of the Courts, this will reduce the risk of appeals of any judgment made by the Courts in relation to the distribution of Client Moneys which may have the effect of delaying the distribution of funds to Investors. The November 2019 Investor Notice invited Investors who wished to nominate themselves as a representative of the potential categories of Investors outlined within that notice (categories 1 to 4 in the table below) to notify the Liquidators by completing and returning the Annexure B questionnaire. Representative defendants have now been joined to the proceeding in accordance with these categories.

Ms Fiona McMullin was appointed as an additional representative defendant to represent investors who invested before 1 January 2016 in order to propound the argument that investments made before there was a deficient mixed fund are traceable.

Andrew Philip Whitehead and Marlene Whitehead in their capacity as the trustees of the Beeline Trust and Andrew Philip Whitehead were named as defendants in the proceedings on their own behalf (noting that the Courts' intention is to manage the proceedings so as to avoid duplication in the issues that the defendants address).

Pursuant to orders made on 31 July 2020, Mr Choo Boon Loo was appointed to represent Investors who seek an *in specie* distribution from Halifax AU and Halifax NZ in respect of part or all of their entitlements in order to propound any proper argument that it is in the interests of those Investors that they be entitled to elect to receive their entitlements by way of an *in specie* distribution. See link to FCA Orders here:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-australia-orders-j-gleeson-31-july-2020.pdf>

The details of the Representative Defendants are summarised below:

Category	Representative	Explanation
1. All clients of Halifax AU and all clients of Halifax NZ whose proportionate entitlement to or share of funds from the "Deficient Mixed Fund" (as that phrase is defined in paragraph 189 of the Affidavit of Morgan John Kelly sworn 26 June 2019 in the FCA proceedings) (Deficient Mixed Fund) will be higher after the realisation of all extant investments than it was on the date administrators were appointed to Halifax AU and Halifax NZ.	Choo Boon Loo	Investors whose equity balance at the date on which Investor claims are verified has increased since November 2018 by a greater percentage than the Halifax portfolio as a whole.
2. All clients of Halifax AU and all clients of Halifax NZ whose proportionate entitlement to or share of funds from the Deficient Mixed Fund will be lower after the realisation of all extant investments than it was on the date administrators were appointed to Halifax AU and Halifax NZ.	Elysium Business Systems Pty Ltd ACN 110 669 282	Investors whose equity balance at the date on which Investor claims are calculated has decreased since November 2018 or has increased but by a smaller percentage than the Halifax portfolio as a whole. Investors in this category as at the date of verification will have either: <ul style="list-style-type: none"> - An equity balance which is lower at the date of verification than it was as at 23 November 2018 - An equity balance which is higher at the date of verification than it was as at 23 November 2018 but whose equity balance has increased

Category	Representative	Explanation
		<p>by a lower percentage than the Halifax portfolio as a whole</p> <p>- Investors who held only cash and therefore have not experienced any movement in their equity value.</p>
3. All clients of Halifax AU and Halifax NZ that transferred shares into the Trader Workstation (also known as Halifax AU's IB Platform or Halifax NZ's IB Platform) from another stockbroker and have not traded in those shares.	Jason Paul Hingston	Investors who may be in this category will have transferred stocks directly into their IB AU or IB NZ account from another broker . In these circumstances, and where the stocks have not been traded, the assets transferred did not pass through any of the accounts affected by the commingling.
4. All clients of Halifax AU and Halifax NZ whose investments are not traceable and who wish to contend that all clients should share in any deficiency regardless of whether investments are traceable or not traceable.	Atlas Asset Management Pty Ltd ACN 607 442 679 as trustee for the Atlas Asset Management Trust	Investors who may be in this category may be of the view that all Investors should share in the deficiency , including stocks transferred into the IB platforms from another stockbroker. Investors in this category may consider that all investor funds should be treated as one pool and distributed accordingly such that the deficiency is shared proportionately amongst all Investors.
5. All Investors who invested before 1 January 2016 in order to propound the argument that investments made before there was a deficient mixed fund are traceable.	Fiona McMullin	Investors who may be in this category may be of the view that they invested in Halifax at a time when there was no deficiency in Client Moneys , and accordingly, their account is traceable.
6. All clients of Halifax AU and Halifax NZ who seek an <i>in specie</i> distribution from Halifax AU and/or Halifax NZ in respect off part or all of their entitlements in order to propound any proper argument that it is in the interests of those Investors that they be entitled to elect to receive their entitlements by way of an <i>in specie</i> distribution.	Choo Boon Loo	Investors who are in this category are those who would prefer to receive an <i>in specie</i> distribution (ie a distribution of assets rather than cash)

The Liquidators note that there is no requirement for Investors to contact the relevant representatives. Should you wish to contact the legal representatives of the Representative Defendants the contact details are available at the following link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-update-to-investors-12-april-2020.pdf>

In relation to the above, we note the following:

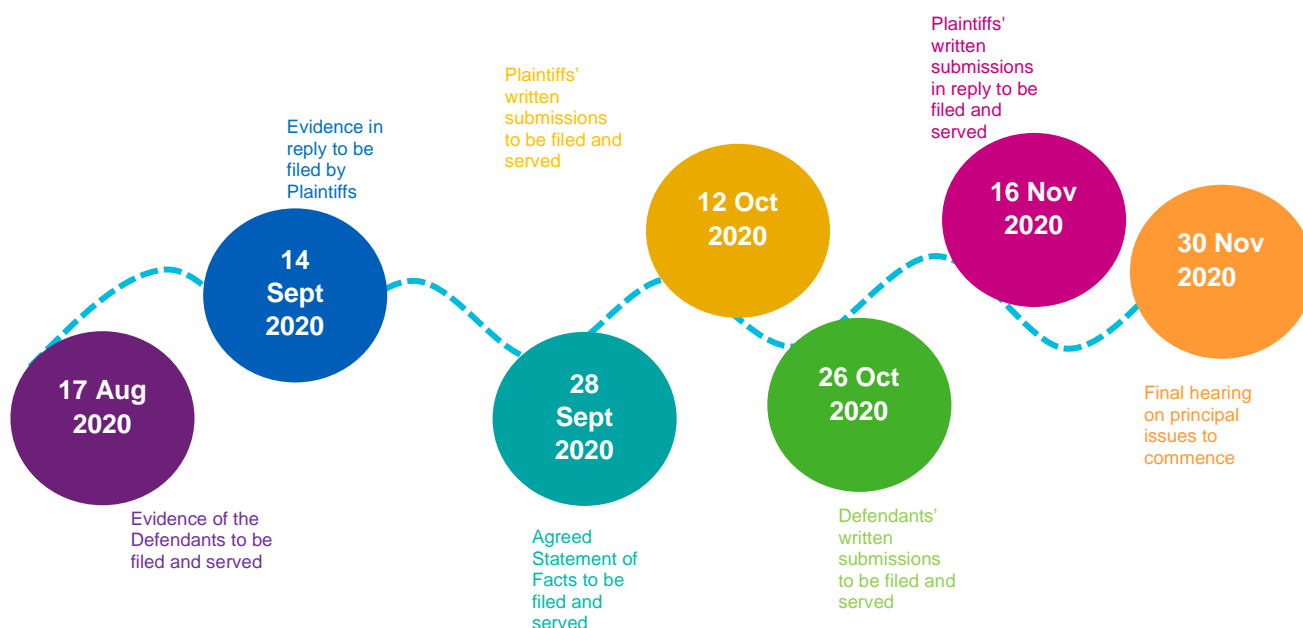
- Categories 1 and 2 are mutually exclusive. That is, *all Investors* will be either in category 1 or 2. Furthermore, membership of these categories will change constantly due to market fluctuations and foreign currency movements.
- Please contact the Liquidators via email at halifax@kpmg.com.au if you require assistance in determining whether you are in category 1 or 2 as at 31 July 2020.
- Determination of whether you are a member of category 3 requires you to identify the detail of your various investments to ascertain whether you transferred shares into your IB account from an external broker (and ascertaining whether you have ever traded in those shares). The information to determine this is available within your account statements. If you require assistance accessing your account statements, or interpreting them, please submit your enquiry via email to au-fmhalifax@kpmg.com.au.

4.6 Timeframe for Joint Proceedings

4.6.1 Timeline to final hearing

At the joint hearing of the FCA and the HCNZ held on 3 April 2020, the Courts set the date of the final hearing of the principal issues in the Joint Proceedings. The hearing is listed to commence on 30 November 2020 with an estimated length of up to two weeks. The Liquidators note that while this hearing date has been set down by the Courts, the date of the hearing is subject to change and it may be the case that the proceedings are delayed for reasons which are outside of the control of the Liquidators.

A timetable for the progress of the proceedings to the final hearing was ordered by the Courts as follows:



5 Investigation work undertaken and evidence filed in Joint Proceedings

Key takeaways

- | | |
|---|--|
| 1 | The Liquidators have undertaken additional tracing work in relation to investor accounts and our view remains that it is not feasibly practical to trace the majority of the individual client deposits . |
| 2 | The Liquidators have undertaken a further and more detailed analysis of the date on which the deficiency in Client Moneys arose. We are unable to determine the date on which a deficiency in Client Moneys first arose, however are able to confirm that there was a deficiency from at least January 2016, possibly earlier . |

5.1 Initial investigations undertaken

Our initial investigations concluded that:

- There is extensive commingling of Halifax AU and Halifax NZ Client funds across all platforms (IB AU, IB NZ, MT4 and MT5) in the majority of accounts operated by the Halifax Group.
- Client Moneys appear to have been commingled across all platforms and between Clients of Halifax AU and Halifax NZ.
- Our investigations indicate that 98% of funds held on trust by the Halifax Group for the benefit of Clients are affected by the commingling, with this commingling occurring between Client Moneys across all platforms and between Halifax AU and Halifax NZ clients, as well as between funds in Company accounts and those in client accounts.
- Our investigations in this regard have determined that it is not practicably feasible to trace the majority of individual client deposits considered in the case studies, as funds have been deposited or transferred into this deficient mixed fund.
- Our preliminary view outlined in section 10.5 of the Voluntary Administrators report, was that Halifax may have been insolvent from as early as January 2017. However we were unable to assess the likelihood that Halifax was insolvent earlier than 1 January 2017 due to incomplete financial and accounting records. This view has been updated as outlined in section 5.3

5.2 Outcome of additional tracing analysis

As outlined in section 4.4.3, a total of 65 Investors responded to the November 2019 Investor Notice and stated that their accounts(s) were traceable. On this basis, the Liquidators and their staff undertook a tracing analysis for each of these 65 Investors.

We confirm that the substance of the views expressed in the Funds Flow Memo and the Case Study Memo previously filed with the Courts has not changed as a result of the additional tracing analysis.

In short, our view remains that **it is not feasibly practical to trace the majority of the individual client deposits** on the basis that funds have been deposited or transferred into this deficient mixed fund and deposits cease to be feasibly traceable to any individual client and that, even if further time and cost was to be devoted to tracing, the commingling of the funds combined with the deficiency in the funds would be very likely to preclude traceability.

As outlined in the Case Study Memo referred to in section 4.1.2, there are particular and unique circumstances which make some Investor assets traceable, in particular where Clients transferred stocks into IB through other stockbrokers and those stocks have not been sold or traded.

We continue to be of the view that the costs of tracing all 11,938 Investor accounts would be significant and would outweigh the benefit of undertaking such tracing and that, in any event, tracing would be unlikely to be possible given the commingling and the deficiency.

5.3 Date of deficiency – initial work undertaken

In order to provide further information to Investors, the Representative Defendants and the Courts in relation to the date on which the deficiency in Client Moneys arose, the Liquidators undertook a more detailed analysis in this regard. The Liquidators' investigations involved the determination of two key dates:

- The date on which a 'Trust Deficiency' arose in the sense that Client Moneys were not held on trust, or when Client Moneys were used in a way that was contrary to section 981B of the Corporations Act or section 77P of the Financial Advisers Act 2008 (NZ) or regulation 240 of the Financial Markets Conduct Regulations 2014 (NZ) (eg for the payment of operational expenses); and
- The date on which a 'Client Moneys Shortage' first arose, being the date on which Halifax held insufficient assets to meet all investor entitlements.

The Liquidators' investigations indicated that:

- The first date on which the Liquidators have been able to identify that a Trust Deficiency arose was **17 November 2009**, when \$442,260 was debited from a Client Moneys account and held as security for a bank guarantee. This transfer gave rise to a Trust Deficiency in the sense that Client Moneys were transferred into an account not operated as a trust account and not held for the benefit of Investors.
- The first date on which the Liquidators are able to identify that a Client Money Shortage existed was **January 2016** at which time there was a Client Money Shortage of \$0.3 million (assuming that all funds held in the various trust accounts as well as funds held in company accounts and security term deposits are included in the funds available to satisfy investor entitlements).

However, in circumstances where certain assets are not included in the calculation of available assets held by Halifax AU and Halifax NZ (for example security term deposits and funds paid to Halifax AU by Trident (an investment fund controlled by the Director and Former Director) as part of a share buyback), then there may have been a Client Moneys Shortage from at least June 2015.

Having regard to the above, we are of the view that there was *both* a **Trust Deficiency and a Client Moneys Shortage from at least January 2016**. However, it is possible that the first date on which a Trust Deficiency and a Client Moneys Shortage first arose was some earlier, indeterminate date.

5.4 Summary of evidence filed to date by the Liquidators of Halifax AU and Halifax NZ

As set out in the timetable agreed at the joint hearing held on 3 April 2020, the Liquidators of Halifax AU and Halifax NZ filed and served their additional affidavit evidence by 22 June 2020.

A summary of the key evidence in chief which has been filed to date and on which the Liquidators of Halifax AU and Halifax NZ will rely on in the hearing scheduled for 30 November 2020 is as follows

Filing date	Name	Summary
31 July 2019	Affidavit of Morgan Kelly	<p>This affidavit presents evidence (broadly) in relation to the following:</p> <ul style="list-style-type: none"> - Background to operations and business activities of Halifax AU and Halifax NZ - The assets held by Halifax AU and Halifax NZ - Flow of funds through the Halifax account structure (the Funds Flow memo referred to in section 4.1.2 is exhibited to this affidavit) <p>https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-2-redacted-first-affidavit-of-morgan-kelly-26-june-2019-filed-31-july-2019.PDF</p>
31 July 2019	Affidavit of Ian Sutherland	<p>This affidavit presents evidence (broadly) in relation to the following:</p> <ul style="list-style-type: none"> - The commingling of Client Moneys throughout the Halifax Group account structure - Tracing work undertaken by the Liquidators (the Case Study Memorandum referred to in section 5.1 above is exhibited to this affidavit) <p>Affidavit: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-4-redacted-first-ian-sutherland-affidavit-26-june-2019.PDF</p> <p>Exhibit: https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-5-redacted-exhibited-ips1-filed-31-july-2019.pdf</p>
11 December 2019	Affidavit of Ian Sutherland	<p>This affidavit provides, as exhibits, copies of all Investors responses to the November 2019 Investor Notice</p> <p>https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-affidavit-ian-sutherland-11-december-2019.pdf</p>
25 March 2020	Affidavit of Morgan Kelly	<p>This affidavit presents evidence (broadly) in relation to the following:</p> <ul style="list-style-type: none"> - The various Client Service Agreements entered into by Investors of Halifax AU and Halifax NZ; - Additional information in relation to the operation of Halifax AU and Halifax NZ and the various platforms offered to Investors - Nature of assets held by Interactive Brokers; and - Communications from Investors as to whether or not the Liquidators should realise extant investments (including responses to the November 2019 Investor Notice).

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-affidavit-morgan-john-kelly-25-march-2020.pdf>

25 March 2020	Affidavit of Ian Sutherland	<p>The purpose of this affidavit is to provide an analysis of the further work undertaken by KPMG to ascertain the date on which a deficiency in Client Moneys arose.</p> <p>https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-affidavit-ian-sutherland-25-march-2020.pdf</p>
22 June 2020	Affidavit of Morgan Kelly	<p>The purpose of this affidavit was to present to the Courts a comparison between the process that would need to be undertaken for a cash distribution and an <i>in specie</i> distribution of assets to Investors.</p> <p>https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-affidavit-morgan-kelly-22-june-2020.pdf</p>
22 June 2020	Affidavit of Ian Simmonds	<p>The purpose of this affidavit is to provide an analysis of the liquidity of assets held with Interactive Brokers and the estimated timeframe and issues associated with the realisation of these assets.</p> <p>https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-affidavit-exhibit-ian-simmonds-22-june-2020.pdf</p>

The above table is not intended to be an exhaustive list of the affidavit evidence filed to date by the Liquidators. For example, it does not refer to various affidavits filed for the purposes of remuneration approval and funding.

6 Status of investigations and recovery actions

Key takeaways

- | | |
|---|--|
| 1 | The Liquidators are currently considering possible funding alternatives in relation to progressing investigations which may lead to actions against the Director and Former Director of Halifax AU and Halifax NZ as well as various third party advisors. |
| 2 | <p>Whether or not the potential actions outlined in this section are pursued further will depend on a number of factors, including the evidence available to the Liquidators, the availability of funding, the merits of any legal proceedings, and the likely recoverability of any potential claims if successful.</p> <p>It is possible that some of the claims outlined above will be subject to litigation and before the Courts at some stage and accordingly, the details of our investigations in this regard remain confidential at this stage.</p> |

The following section provides an update on the progress of our investigations and provides an update on potential recovery actions identified by the Liquidators of Halifax AU and Halifax NZ.

We note that:

- When considering the merits of pursuing any recovery action, a liquidator must have regard to the relative costs and benefits together with the prospects of success and the financial ability of defendants to meet claims; and
- There are no funds available in the liquidation (outside of Client Moneys) to meet the costs of recovery actions from antecedent transactions, insolvent trading and professional negligence claims.

Notwithstanding, in the interests of progressing any actions as quickly as possible, the Liquidators have undertaken factual investigations into the possible avenues for recovery whilst we continue to explore funding alternatives.

6.1 Funding of recovery actions

There are various ways to fund further investigations and, potentially (depending on the outcome of the investigations, the strength of any potential causes of action, and the availability of funding) recovery actions which are currently being considered by the Liquidators, including:

- Contributions from Investors and creditors towards costs. Should any creditor, investor or group of Investors be willing to fund the costs and expenses to further investigate, including potential commencement of proceedings against the Directors of Halifax AU and Halifax NZ, the Former Director of Halifax AU or other third parties or wish to discuss funding further, would you please contact the Liquidators' office by email at halifax@kpmg.com.au;
- We have filed an application with the ASIC Assetless Administration Fund, which, whilst designed to fund enforcement assistance for ASIC rather than recoveries, can provide an ancillary benefit in terms of access to results of funded work carried out (this would be available only for investigations undertaken by the Liquidators of Halifax AU); and
- We are in discussion with multiple litigation funders.

6.2 Possible investigations and recovery actions – Halifax AU and Halifax NZ

6.2.1 Steps to be undertaken by the Liquidators of Halifax AU and Halifax NZ

Given the complexities of the Companies' affairs, significant work was required to enable the Liquidators to fully assess and determine the availability and commerciality of pursuing potential recoveries including by way of court proceedings, for Investors and other creditors.

The Liquidators have determined that the following investigation and recovery steps may be necessary prior to commencing any proceedings which may be available and commercially viable against any third parties for potential monetary claims:

- Conducting public examinations on certain key individuals to obtain further information regarding the affairs of the Company;
- Conducting an investigation to identify the date of insolvency and calculate the quantum of associated losses, and preparation of a formal solvency report;
- Assessing the strength of any possible causes of action, including for insolvent trading, considering the likely strength of any defences and investigating the financial capacity of possible defendants to meet a claim;
- If the investigations lead to a conclusion that recovery action is in the interests of creditors, then preparing legal proceedings and various other steps to pursue recoveries; and
- Exploring the possibility of a settlement outside of litigation or in the event that any claims cannot be settled out of Court, pursuing various third parties for monetary claims.

The Liquidators will provide an update to Investors and creditors on the status of recovery actions as and when available.

6.2.2 Summary of investigations – Halifax AU

The following table provides a high level summary of some of the potential recovery actions being considered by the Liquidators. It is important to note that the recoverability of the claims outlined below is uncertain and at this stage, the nature of the Investigations undertaken by the Liquidators is largely factual. The Liquidators have not yet formed a view as to the likely availability of claims, or of the prospects of success and commerciality of pursuing these potential claims by way of legal proceedings.

Investors should not interpret the following table as constituting a comprehensive list of amounts that will definitely be recovered, nor an exhaustive or definitive list of potential claims.

Potential recovery	Amount	Status
Recovery of Director loan accounts and other antecedent transactions	AU\$3 million to \$7 million	The Liquidators have issued correspondence to the Director and Former Director in relation to repayment of the Director loan accounts and are also seeking repayment of other various antecedent transactions including payments made to the Australian Taxation Office, the Director and the Former Director in relation to superannuation and PAYG.
Auditor and accountant negligence claims	TBC	The Liquidators have undertaken detailed investigations in relation to potential claims against the former auditors and accountants of Halifax AU and are currently considering options in relation to funding further investigations and if appropriate, pursue these potential claims.
Insolvent trading claim	TBC	The Liquidators have undertaken detailed investigations in relation to the date of insolvency and the date on which the deficiency in Client Moneys first arise.

Potential recovery	Amount	Status
Claims against Director and Former Director for various breaches of the Act	TBC	Our investigations in this regard include whether the Director and Former Director may have breached their obligations under sections 180 to 184 of the Act and whether Halifax AU may have breached its obligations in relation to the Client Money Rules specified by the Act.

The Liquidators have progressed the investigations outlined above. However, whether or not these actions are pursued further will depend on a number of factors, including the evidence available to the Liquidators, the availability of funding, the merits of any legal proceedings, and the likely return if successful.

It is possible that some of the claims outlined above will be subject to litigation and before the Courts at some stage and accordingly, the details of our investigations in this regard remain confidential at this stage.

6.2.3 Director and Former Director banning – Halifax AU

ASIC has advised that the Director and Former Director of Halifax AU have been banned from providing financial services for six years, effective from 29 April 2019. The conduct on which ASIC made this decision was based on the conduct of the Director and Former Director in relation to a separate matter.

The Liquidators understand that ASIC's investigations into the conduct of the Director and Former Director in relation to the Company are ongoing. We are working closely with ASIC to assist with its enquiries.

6.3 Possible investigations and recovery actions – Halifax NZ

We are currently investigating the conduct of the Company's Director and Former Directors to determine whether the Company has claims available. We are also reviewing the Company's information and documents to determine whether there are any other claims available that will give rise to recoveries for the benefit of creditors.

The following table provides a high level summary of some of the potential recovery actions being considered by the Liquidators. It is important to note that the recoverability of the claims outlined below is uncertain and at this stage, the nature of the Investigations undertaken by the Liquidators is largely factual. The Liquidators have not yet formed a view as to the likely recoverability of these potential claims.

Potential recovery	Status
Shareholder loan accounts	We are currently reviewing the movements in the shareholder loan accounts to determine whether there are any funds recoverable
Breaches of directors duties	We have lodged an insurance notification for claims against the Directors and Former Directors of Halifax NZ and are continuing with our investigations and preparation of letters of demand.
Auditor negligence claim	We are continuing with our investigations in relation to potential breaches of duty by the auditors of Halifax NZ

Potential recovery	Status
Accountant negligence	We are continuing with our investigations in relation to potential breaches of duty by the accountants of Halifax NZ.
Reckless / wrongful trading claim	Our investigations in relation to this claim are continuing. The quantum of such a claim can only be determined once the extent of Investor claims are ascertained.

The Liquidators have progressed the investigations outlined above. However, whether or not these actions are pursued further will depend on a number of factors, including the evidence available to the Liquidators, the availability of funding, the merits of any legal proceedings, and the likely return if successful.

It is possible that some of the claims outlined above will be subject to litigation and before the Courts at some stage and accordingly, the details of our investigations in this regard remain confidential at this stage.

7 Open positions on IB AU, IB NZ, MT4 and MT5 platforms

Key takeaways

- 1 Halifax AU and Halifax NZ hold open positions (ie assets other than cash) with a market value of \$139.3 million as at 31 July 2020.
- 2 As at 31 July 2020, 2,076 Investors continued to hold open positions on the IB AU, IB NZ, MT4 and MT5 platforms.
- 3 The Liquidators have made a decision to refrain from closing out or realising any outstanding investments until the Courts have determined that issue in conjunction with all other issues at the final hearing.

7.1 Number of open positions on various trading platforms

The following table provides a summary of investor positions open (by number) as at 31 July 2020 on IB NZ, IB AU, MT4 and MT5 platforms:

The figures in this section relate to the number of positions open according to individual Investor account balances and should not be considered as a list of the assets held by Halifax AU and Halifax NZ for distribution to Investors.

	Number of positions	Number of investors holding open positions
IB NZ	2,519	665
IB AU	4,864	819
MT4	841	73
MT5	1,750	519
Total	9,974	2,076

The following table provides a summary of positions open (by number and asset class) on the MT4 and MT5 platforms as at 22 November 2018 and as at 31 July 2020:

	FX	Stock CFD	Commodities	Index CFDs	Indices	Stocks	Total
22 November 2018	745	143	123	53	6	2,107	3,177
31 July 2020	368	77	63	11	-	515	1,034
% remaining open	50%	54%	51%	21%	0%	80%	33%

The following table provides a summary of positions open (by number and asset class) on the IB AU platform:

	Stocks	Futures	Options	Futures Options	Warrants	Total
22 November 2018	16,431	8	1,648	170	70	18,327
31 July 2020	4,824	1	26	0	13	4,868
% remaining open	29%	13%	2%	0%	30%	27%

The following table provides a summary of positions open (by number and asset class) on the IB NZ platform:

	Stocks	Stock CFDs	Options	Futures Options	Fund	Warrants	Total
22 November 2018	9,592	1142	1114	150	92	44	12,134
31 July 2020	2,379	128	4	-	-	8	2,519
% remaining open	2%	11%	0%	0%	0%	11%	21%

7.2 Assets held by Halifax AU and Halifax NZ

Halifax AU and Halifax NZ hold open positions (ie assets other than cash) with a market value of \$139.3 million as at 31 July 2020 in respect to the open positions outlined in section 7.1 above. As Investors are aware, stocks to hedge Investor positions on the MT5 platform are held in the IB AU Prop Account.

	Stocks	Stock CFDs	Futures	Options	Futures Options	Warrants	Total
IB AU	87,563,117		20,696	41,606		1,183	87,626,602
IB NZ	26,711,009	625,032	-	(1,083)	-	21,097	27,356,055
IB AU Prop Account	24,363,061	-	-	-	-	318	24,363,379
Total	138,637,187	625,052	20,696	40,523	-	22,598	139,346,036

7.3 Will the Liquidators close out positions?

As at 31 July 2020, the value of extant Investments on the Halifax AU and Halifax NZ (that is the value of stocks, futures, options, warrants and stock CFDs) in various accounts on the IB AU and IB NZ platforms (including in the IB AU Prop Account which holds assets used to hedge Investor positions on the MT5 platform), was \$139.1 million.

The Liquidators have made a decision to refrain from closing out or realising any outstanding investments until the Courts have determined that issue in conjunction with all other issues at the final hearing.

The reasons for this decision are set out in detail in the Investor update issued on 30 March 2020, link below:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-update-to-investors-30-march-2020.pdf>

Key reasons for this decision include:

- The Liquidators have sought directions from the Court as to whether “pooling” orders should be made in the external administrations of Halifax AU and Halifax NZ (i.e. liquidating the entire fund and paying a proportion of the fund to each Investor). If the Courts ultimately give a direction that “pooling” should not occur, the realisation of all outstanding investments in advance of that Courts direction would frustrate that outcome;
- There has been significant opposition, in response to the November 2019 Notice, to the closing out of outstanding investments;
- Some Investors have expressed a desire for an *in specie* distribution (i.e. a distribution of shares rather than cash). Such a distribution would not be possible in circumstances where all investments are realised by the Liquidators;
- The realisation of all open investments may result in the crystallisation of capital gains tax liabilities for some Investors; and

- The realisation of all open positions may result in high divestment and re-investment costs for some Inventors.

At a joint hearing of the FCA and the HCNZ held on 3 April 2020, the Courts heard the Liquidators' application for judicial advice and/or directions that they were justified in refraining from realising any and all extant investments until the determination of all substantive issues by the Courts.

On 23 April 2020, the Courts directed that the Liquidators of Halifax AU and Halifax NZ are justified in refraining from the actions outlined above.

Links to the Orders from the FCA and the HCNZ are as follows:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-au-judgement-orders-j-gleeson-23-april-2020.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-judgement-5-may-2020.pdf>

8 Update on movement of investor account balances

Key takeaways

- 1 As at **23 November 2018**, there was an estimated deficiency in Client Moneys of **\$19 million** (before taking into account any costs and any recoveries that may be made in the future), **representing 9% of client equity positions**. That is, the total amount of assets held on trust for clients of Halifax AU and Halifax NZ was \$192.6 million and client equity positions totalled \$211.6 million.
- 2 Investor equity balances on the various trading platforms have increased **from \$211.6 million as at 23 November 2018 to \$264.8 million** as at 31 July 2020, an increase of **\$53.2 million or 25%**.
The value of total assets held by Halifax AU and Halifax NZ as at 31 July 2020 is **\$231.6 million**. **This means that as at 31 July 2020, the deficiency in Client Moneys has increased to \$33.1 million.**

8.1 Introduction

As at **23 November 2018**, there was an estimated deficiency in Client Moneys of \$19 million (before taking into account any costs and any recoveries that may be made in the future), representing 9% of client equity positions. That is, the total amount of assets held on trust for clients of Halifax AU and Halifax NZ was \$192.6 million and client equity positions totalled \$211.6 million.

The total value of the assets held by Halifax AU and Halifax NZ will continue to fluctuate as a result of the market movements and the costs of the liquidation (including Liquidators remuneration and legal fees).

8.2 Movement in Halifax portfolio

We have prepared an analysis of the movement in investor equity balances between 23 November 2018 and 31 July 2020. These equity balances represent the balance of client accounts on the trading platforms and are not an indication of the value of assets held by Halifax AU and Halifax NZ. The values are calculated using exchange rates as at 23 November 2018 and 31 July 2020.

The following table indicates that the increase in the value of equity balances is relatively evenly split across platforms (with the exception of MT4 which does not hold a significant volume of stocks).

	Portfolio value as at 23/11/2018 AU\$	Portfolio value as at 31/07/2020 AU\$	Movement since appointment AU\$	Movement since appointment %
IB NZ	44,367,970	54,510,595	10,142,624	23%
IB AU	110,045,790	142,181,312	32,135,522	29%
MT4	23,911,032	24,939,392	1,028,360	4%
MT5	33,277,030	43,166,370	9,889,340	30%
Total	211,601,822	264,797,669	53,195,846	25%

8.3 Estimated deficiency as at 31 July 2020

As at 31 July 2020, the estimated deficiency of \$33.1 million represents 13% of client equity positions.

Account type	Balance as at 23 November 2018 (AU\$)	Balance as at 31 July 2020 (AU\$)
Total funds held	196,269,496	231,660,748
Less: Company funds	(3,668,446)	(13,924)
Client Moneys held	192,601,050	231,646,824
Client equity positions	211,601,823	264,797,669
Deficiency in Client Moneys	(19,000,774)	(33,150,845)

Although the total assets held by Halifax AU and Halifax NZ has increased, Investor account balances have also increased, as have the costs incurred in the liquidation. The movement in the deficiency from 23 November 2018 to 31 July 2020 is as a result of:

- Movement of investor equity positions from \$211.6 million as at 23 November 2018 to \$264.1 million as at 31 July 2020.
- Ongoing market movements and fluctuations in unhedged positions.
- Costs of the Voluntary Administration and Liquidation including platform costs, wages, rent, legal fees and remuneration of the Voluntary Administrators and Liquidators and other operation costs which have been paid by the Liquidators of Halifax AU and Halifax NZ. Further details of costs paid to date are provided in section 10.

In relation to the above deficiency calculation, it is important to note the following:

- Investor equity balances and assets held continue to be subject to market fluctuations given open positions which continue to be held on the trading platforms.
- Costs, expenses and remuneration continue to be incurred for the period from 1 August 2020.
- Distribution of the Client Moneys is subject to the outcome of the Court proceedings and any distribution process determined by the Court. The Court hearing date at which the distribution will be considered is scheduled to commence on 30 November 2020.
- The investor equity balances set out above have not been the subject of an audit since the appointment of the voluntary administrators on 23 November 2018.

8.4 Asset realisations

The following table provides a summary of cash and assets held by Halifax AU and Halifax NZ.

	23 Nov 2018 AU\$	31 July 2020 AU\$	Ref
Halifax AU: Assets held on Trust			
Cash held in Trust accounts	1,384,513	355,743	8.4.1
Assets held with IB	138,694,693	167,872,350	8.4.2
Assets held with third parties	5,197,782	782,673	8.4.3
Subtotal	145,276,988	169,010,766	
Halifax NZ: Assets held on Trust			
Cash held in Trust accounts	1,647,702	212,817	8.4.1
Assets held with IB	45,676,359	54,525,796	8.4.2
Subtotal	47,324,061	54,738,612	
Company Accounts			
Halifax AU: Cash held in Company Accounts	2,533,765	14,203	8.4.4
Halifax NZ: Cash held in Company Accounts	1,134,681	(279)	8.4.4
Subtotal	3,668,446	13,924	
Appointee Accounts			
Cash held in Halifax AU Appointee Accounts	-	7,742,037	8.4.5
Cash held in Halifax NZ Appointee Accounts	-	155,409	8.4.5
Subtotal	-	7,897,455	
Grand total of assets held by Halifax AU and Halifax NZ as at 31 July 2020	196,269,496	231,660,748	

8.4.1 Cash held in trust accounts

Cash held in trust accounts by Halifax AU and Halifax NZ refers to funds held in various Client Money accounts operated by Halifax AU and Halifax NZ. The reduction of the balances in these accounts has occurred as a result of Funding Orders handed down by the FCA and the HCNZ which have provided for the use of funds into accounts controlled by the Liquidators to pay the costs of the Voluntary Administration and Liquidation, including remuneration, legal fees, platform costs, rent, wages and other reasonable trading expenses. Details of the accounts from which funds have been withdrawn are provided in **Annexure C**.

8.4.2 Assets held with IB

The majority of assets held by Halifax AU and Halifax NZ consist of cash and assets held in client accounts on the IB AU and IB NZ platforms, as well as stocks held in the IB AU Prop Account. The value of amounts held by IB has fluctuated as a result of market movements as well as the withdrawal of cash in the IB AU and IB NZ Master and Prop Accounts in accordance with Orders made by the FCA and the HCNZ.

8.4.3 Assets held with other third parties

Assets held with third parties consists mainly of cash and hedged positions held by Invest (a third party liquidity provider) as well as other amounts held with various merchant facility providers.

8.4.4 Company funds

Funds held in Company accounts, that is, accounts held in the name of Halifax AU and Halifax NZ which were not treated as Client Moneys have, for the most part, been exhausted. Accordingly, it has been necessary to seek access to Client Moneys to fund the ongoing costs of the liquidation as outlined in 8.4.1 and 8.4.2 above and discussed in further detail in sections 8.5.

8.4.5 Funds held in Liquidation accounts

The cash held in the Halifax AU and Halifax NZ Appointee Accounts as at 31 July 2020, consists mainly of funds which have been swept from Client Moneys accounts in accordance with various funding Orders handed down by the FCA and HCNZ.

A detailed cash flow statement showing cost paid in the Voluntary Administration and Liquidation of Halifax AU and Halifax NZ is provided at Section 10. A detailed receipts and payments summary is also available at **Annexure A** (Halifax AU) and **B** (Halifax NZ).

8.5 Sources of funds for liquidation costs

The Liquidators have obtained Court orders allowing them to access certain accounts to make payment of ongoing expenses.

A list of accounts which have been accessed by the Administrators and Liquidators to fund the ongoing costs of the liquidation is available at **Annexure C**.

The Court orders in respect of source of funds (**Funding Orders**) can be found at the following links:

Halifax AU:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-of-australia-orders-regarding-outcome-of-funding-application-25-january-2019.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-kelly-in-the-matter-of-halifax-investment-services-pty-ltd-in-liq-22-august-2019.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-orders-reasons-justice-gleeson-2-july-2020.pdf>

Halifax NZ:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-sealed-interlocutory-orders-29-may-2020.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-sealed-interlocutory-order-30-july-2020.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-high-court-orders-19-december-2019.pdf>

9 Estimated Outcome Statement

9.1 Background

The purpose of this section is to provide an estimate, by way of an Estimated Outcome Statement (**EOS**), of the distribution to be received by Investors subsequent to the receipt of judicial advice and directions from the Courts. That distribution will occur following the joint hearing of the proceedings before the Courts, which is due to commence on 30 November 2020 and estimated to conclude two weeks later.

There are many different approaches that the Courts may ultimately take in determining how the entitlement of each investor to a distribution from the remaining assets of Halifax AU and Halifax NZ should be calculated.

There are various arguments in respect of traceability propounded by various parties joined to the proceedings, details of which are set out in further detail below. This EOS assumes that those arguments are not successful and is prepared on the assumption that the approach that will be adopted will involve the liquidation of all assets and the distribution of a proportion of the available assets (less costs incurred in the liquidation – including the costs of the court proceedings incurred by a number of the defendants as well as by the Liquidators) to each Investor. Further details in relation to the assumptions used are provided below.

It is likely that the amount of the distributions ultimately made will depend most significantly on the date on which the Courts determine that Investor claims should be calculated. In other words, whether an Investors entitlement will be calculated based on the balance of their account as at the date of the appointment of the Administrators (being 23 November 2018) or at some other, later date in the future.

9.2 Deficiency in Client Moneys

Given the deficiency in Client Moneys, there will be a shortfall to Investors from trust assets.

Investors will have an unsecured claim in the liquidation of either Halifax AU or Halifax NZ in respect of the shortfall in trust assets, however any return to unsecured creditors is contingent on whether there are in the future any recoveries from third parties against whom the Companies may have legal claims and, if so, what the amount recovered, net of costs, may be.

9.3 Interest from third parties

We are aware that third parties have expressed an interest in acquiring certain Investor claims and may have been corresponding with Investors in relation to making offers of this nature. The Liquidators are not aware of any detail regarding the offers being proposed (including the amount offered to each investor, the number of Investors who may have received an offer or any details as to how the value of any such offers are calculated).

The Liquidators will not:

- provide a recommendation to any Investors as to whether or not an offer of the nature outlined above should be accepted; or
- endorse any offers made by any third parties.

Further, this EOS should not be regarded as constituting any recommendation in relation to any such offer.

The acceptance of such an offer may result in individual Investors receiving an amount that is less than what they would receive in a distribution made by the Liquidators following the resolution of the Court process. However, the Liquidators are also aware that there are a number of Investors who would prefer to accept such an offer now rather than wait for the outcome of the Court process and subsequent distribution process. It is on this basis that the Liquidators consider it appropriate to provide the update below to all Investors.

The only party who has requested that the Liquidators provide their contact details to Investors can be contacted using the following details:

Brad Paszkiewicz

InfoServices Group

Telephone: +1 (212) 889-5481

Email: bp@infoservices.group or contact@infoservices.group

Any discussions between Investors and this party is entirely at the risk of Investors. The Liquidators do not provide any guidance or recommendation in relation to a transaction of this nature. If Investors would like to consider the sale or assignment of their claim, they should contact the parties outlined above directly.

9.4 Date of valuation of investor claims

Representative Defendants have been joined to the Court proceedings representing the following categories:

- **Category 1:** Investors of both Halifax AU and Halifax NZ whose proportionate entitlement to or share of funds from the deficient mixed fund will be greater after the realisation of all extant investments than it was on the date administrators were appointed; and
- **Category 2:** Investors of both Halifax AU and Halifax NZ whose proportionate entitlement to or share of funds from deficient mixed fund will be lower after the realisation of all extant investments than it was on the date administrators were appointed.

The Courts will determine the date on which Investor claims should be valued. That date will have a material impact on the likely outcome for individual Investors. As noted above, the date selected by the Courts will not necessarily be the date for which either the representative of Category 1 or the representative of Category 2 contends.

To assist Investors in forming a view as to the potential return, we have presented this EOS showing the following scenarios:

- Total investor entitlements (account balances) are calculated after the realisation of all extant investments. **For illustrative purposes only** we have used **31 July 2020** (noting that this date cannot be the date contended for by the representative of Category 1 because the realisation of all extant investments has not occurred). In this scenario, the Category 1 argument prevails; and
- Total Investor entitlements (account balances) are calculated as at **23 November 2018** (the date that voluntary administrators were appointed). In this scenario, the Category 2 argument prevails.

The variance between these scenarios is significant given the value of investor account balances has increased from \$211.7 million as at 23 November 2018 to \$264.8 million as at 31 July 2020. Please note that the reference to "investor account balances" throughout this document refers to the recorded value of investor accounts on the various trading platforms and is not representative of the assets available for distribution to Investors.

The quantum of the assets estimated to be available for return to investors are outlined in the EOS.

9.5 Assumptions

In preparing this EOS, we have adopted the following key assumptions:

- **The EOS does not account for any movement in market value of assets after 31 July 2020.** As various Investor positions are still open, market movements may materially impact the estimated return to Investors and creditors. As at 31 July 2020 the unrealised (ie, extant) investments constituted approximately \$139.3 million of the \$231.6 million of cash and assets held.
- Distributions will be made by applying the judicial advice or directions of the Courts to each Investors account balance, noting that various Investors have disputed the value of their claim.

- We have assumed all cash and stock balances are trust assets, and not available to unsecured creditors. This includes amounts held in the Company bank accounts, which may have been subject to commingling with investor funds.
- We have assumed that in the 'low' case for Halifax AU, minimal funds will be recovered from overseas merchant facility providers.
- We have not included a provision for brokerage costs and commission which may be incurred in circumstances where the Liquidators are required to close positions. However, we understand that the impact of these costs, if incurred, for the body of the investors as a whole will be minor.
- In relation to Halifax AU and Halifax NZ, we have assumed a recovery rate for GST based on tax advice received by the Liquidators. We have assumed 12 months of ongoing trading costs in the liquidation. The length of this process may be extended depending on a number of factors including how long the Courts take to give judgment following the conclusion of the final hearing, whether Orders are made for an *in specie* distribution and the length of time taken to resolve issues in relation to the distribution of funds.
- We have not accounted for any potential tax impact of gains or losses in the value of investments.
- We have not assumed any future recoveries resulting from our investigations of the conduct of third parties.
- The estimates of future costs provided below do not include any legal fees or Liquidators' remuneration incurred in continuing further investigations into the conduct of the Director, Former Director and other advisors, or incurred in the course of recovery actions resulting from those investigations. We are currently considering potential avenues for funding of this work.
- **All cost estimates including legal fees and Liquidators' remuneration are calculated based on high level estimates only and are subject to significant variances** depending on the direction of the proceedings currently on foot in the Courts. Given that, it is not possible to predict what orders the Courts may make in relation to appropriate method of distribution, it is not possible to determine with any certainty the quantum of the future costs which will be incurred. It should be noted that remuneration incurred by the Liquidators is subject to review by a Court-appointed independent reviewer as well as Court approval prior to payment being made.
- All asset amounts have been converted to AUD using indicative rates as at 31 July 2020. Investor claims have been calculated using exchange rates at either 23 November 2018 or 31 July 2020. Exchange rates could vary significantly by the time that all assets have been realised.
- All Investor claims and all assets of both Halifax AU and Halifax NZ are treated as a single fund. In other words, the EOS assumes that the Courts will make orders such that a single deficient mixed fund exists and all funds are to be distributed to Investors of Halifax AU and Halifax NZ based on their proportionate entitlement as at the date the Courts determine to be the date on which Investor claims are valued.
- It may well be that the representative of Category 3 (Mr Jason Hingston) will successfully argue that those Investors who owned stocks which were transferred to the Interactive Brokers platform by another broker and have not been subsequently traded at all should not be treated as part of the single deficient mixed fund. Accordingly, the amount available for distribution may well be reduced by the aggregate value of the assets which may be traceable. If the argument of these Investors is successful, then the assets remaining for distribution to other Investors will be reduced accordingly. However, only 8 Investors responded to the Investor Notice calling for those investors who considered that they fall into this Category to come forward and the aggregate amount attributable to those Investors who responded is unlikely to be material to the overall return to Investors.
- Certain other representative defendants and other (non-representative) defendants will argue that distributions should **not** be made on the basis of the assumptions made in this EOS. To the extent that some of those arguments were to be successful, this would reduce the total asset pool available for distribution to the general body of Investors. It is not possible at this stage to provide an estimate of the amount by which the pool of assets to be distributed by all Investors would be reduced in circumstances where the arguments propounded by these parties are wholly or partially successful. However, an indication of the impact of these arguments is:

- The fifth defendant (Fiona McMullin, represented by Anderson Lloyd) does not challenge the conclusion by the Liquidators that there was by, at latest, January 2016, a client money shortage. On this basis, the Liquidators believe that the arguments of those defendants in Category 5 are unlikely to make any significant difference to the outcome to Investors generally.
 - If the sixth and seventh defendants (the Whitehead Group represented by Tailored Legal Solutions Limited) are successful (contrary to the present view of the Liquidators), that would also reduce the assets remaining for other Investors. However, the impact on the bottom line for the body of the investors as a whole will be minor.
 - A claim has also been made by shareholders of Halifax AU, Mr Jeffrey Worboys and Hong Kong Capital Holdings Pty Ltd (a company associated with Mr Matthew Barnett). Details of this claim are outlined in our update dated 24 August 2020. Having considered legal advice, the Liquidators do not believe that this claim will be successful and do not consider, (except as to costs and then only to a very minor extent) that it will result in any reduction from the pool of funds available to Investors.
- For further detail on the categories represented by the various Representative Defendants and other parties joined to the proceedings, see the following document.

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-update-to-investors-12-april-2020.pdf>

- The costs outlined in the EOS assume that the Court will make Orders that all assets are distributed by way of a cash payment rather than an *in specie* distribution. In circumstances where the Courts make orders that assets should be distributed by way of an *in specie* distribution (in whole or in part), costs are likely to be significantly higher than estimated.

The Liquidators emphasise that the Courts will ultimately make the final determination on how distributions will be made and that may differ from the assumptions we have set out above.

9.6 Estimated outcome statement

9.6.1 Investors

The purpose of the following table is to provide an estimate of total assets available for distribution to Investor creditors of Halifax AU and Halifax NZ by way of a dollar figure and a percentage return on account balances on the assumption, stated above, that the Courts direct that investor account balances are to be calculated on the date of appointment of the Administrators (23 November 2018) or on the date when all presently unrealised assets have been realised (which will be a date in the future, but which, as noted above, **for illustrative purposes only**, 31 July 2020 has been adopted).

The following table sets out the assets held by both Halifax AU and Halifax NZ, less the future estimated costs to be incurred in the liquidation of both Halifax AU and Halifax NZ (including, as noted above, costs of the Court proceedings).

The estimated assets available for distribution to beneficiary (Investor) creditors of Halifax AU and Halifax NZ has been calculated below by adding the total trust assets (net of costs) held by Halifax AU and Halifax NZ and subtracting the total forecast future costs of the liquidation process.

In relation to both the earlier date for calculating Investor account balances (23 November 2018, the Category 2 date) and the later date (31 July 2020, the **illustrative example** for the category 1 date – as noted above, it will in fact be a future date), we have included a range to reflect the ‘Low’ (worst case) or ‘High’ (best case).

\$000s	Low	High	Low	High
	23-Nov-18	23-Nov-18	31-Jul-20	31-Jul-20
HALIFAX AU				
Trust assets – Australia				
Cash held in accounts operated by the Liquidators	8,112	8,112	8,112	8,112
Funds and stocks held by Interactive Brokers and third parties	168,655	169,045	168,655	168,655
Total trust assets – Australia	176,767	177,157	176,767	176,767
Less: Future estimated costs				
Estimated Liquidators' future remuneration and disbursements	(4,802)	(3,842)	(4,802)	(3,842)
Estimated future legal fees and disbursements	(7,619)	(5,062)	(7,619)	(5,062)
Estimated future representative defendant legal fees and disbursements	(3,086)	(1,947)	(3,086)	(1,947)
Estimated future trading costs	(2,079)	(1,260)	(2,079)	(1,260)
Estimated distribution costs	(591)	(788)	(591)	(788)
Total future estimated costs AU	(18,177)	(12,898)	(18,177)	(12,898)
Total Australian trust assets available for distribution	158,590	164,259	158,590	163,869
Halifax NZ				
Trust assets – New Zealand				
Cash held in accounts operated by the Liquidators	368	368	368	368
Funds and stocks held by Interactive Brokers and third parties	54,526	54,526	54,526	54,526
Total trust assets – NZ	54,894	54,894	54,894	54,894
Less: Future estimated costs (NZ)				
Estimated NZ Liquidators' future remuneration and disbursements	(1,425)	(1,140)	(1,425)	(1,140)
Estimated future legal fees and disbursements	(2,391)	(1,430)	(2,391)	(1,430)
Estimated future representative defendant legal fees and disbursements	(1,029)	(649)	(1,029)	(649)
Estimated future trading costs	(495)	(196)	(462)	(183)
Estimated distribution costs	(188)	(250)	(188)	(250)
Total future estimated costs - NZ	(5,526)	(3,664)	(5,494)	(3,651)
Total New Zealand trust assets available for distribution	49,368	51,230	49,400	51,243
Estimated trust assets available for distribution to beneficiary creditors	207,958	215,490	207,991	215,112
Total Investor account balances on various trading platforms	(211,602)	(211,602)	(264,798)	(264,798)
Estimated deficiency / shortage	(3,644)	3,888	(56,807)	(49,686)
Estimated return to beneficiary creditors from trust assets (after costs)	98%	102%	79%	81%

The figures outlined above should not be compared to the estimated deficiency of \$19 million as at 23 November 2018 because the deficiency was calculated by taking Investor account balances on the various platforms as at 23 November 2018 (\$211 million) and subtracting the assets available as at 23 November 2018 to meet these claims (\$191 million).

This EOS contemplates the estimated outcome to investors based on asset values at 31 July 2020 and the estimate of future costs which are likely to be incurred in the Liquidation, as well as costs that have been incurred since 23 November 2018.

NB: It is important to note that with regard to the 31 July 2020 'Low' and 'High' case returns of 79% and 81%, while the estimated return reflects a lower percentage, the balance of Investor positions has increased from \$211.6 million

as at 23 November 2018 to \$264.8 million as at 31 July 2020 which necessarily will result in a lower percentage return than in the November 2018 case having regard to the higher overall account balances as at 31 July 2020. The effect of this is outlined in worked examples 1 and 2 below, which demonstrate the hypothetical estimated returns to individual investors who fall with Category 2 referred to above (Worked Example 1 below) and who fall with Category 1 referred to above (Worked Example 2 below).

9.6.2 Worked Examples – return to Investors

The worked examples below are provided to assist Investors in calculating an estimated dollar return payable based on the EOS (and all of the assumptions and disclaimers outlined above).

Worked example 1: Investor A

Investor has an account balance of \$100,000 as at 23 November 2018 and \$110,000 as at 31 July 2020. It is assumed that Investor A falls within Category 2 above. The following table provides a summary of the estimated returns based on the EOS outlined above and subject to the various assumptions and disclaimers set out in this document.

\$000s	23 November 2018		31 July 2020	
	Low \$000	High \$000	Low \$000	High \$000
Investor A account balance	100	100	110	110
Estimated return as per EOS on 23 November 2018 account balance	99%	102%	79%	81%
Estimated dollar return as per EOS	99	102	87	89

Worked example 2: Investor B

Investor B has an account balance of \$100,000 as at 23 November 2018 and \$150,000 as at 31 July 2020. It is assumed that Investor A falls within Category 1 above. The following table provides a summary of the estimated returns based on the EOS outlined above and subject to the various assumptions and disclaimers set out in this document.

\$000s	23 November 2018		31 July 2020	
	Low \$000	High \$000	Low \$000	High \$000
Investor A account balance	100	100	150	150
Estimated return as per EOS	98%	102%	79%	81%
Estimated dollar return as per EOS	98	102	119	122

9.6.3 Estimated outcome statement – Unsecured creditors

Any return to priority or unsecured creditors is entirely contingent on recoveries in relation to potential antecedent transactions and claims against other third parties including (but not necessarily limited to) the Directors, the ATO, the Former Auditor and the Former Accountant and any available insurance policies.

The EOS is prepared without regard to any recoveries that may be achieved. Furthermore, it will a matter for the Courts to determine how any potential recoveries are distributed (ie whether amounts recovered will be paid to Investor creditors or to unsecured creditors).

The following table provides an indication of the expected shortfall to total unsecured creditors of Halifax AU:

\$000s	Low	High	Low	High
	23-Nov-18	23-Nov-18	30-Jun-20	30-Jun-20
Priority employee entitlements	(110)	(110)	(110)	(110)
Shortfall to Investors with Australian CSAs	(2,809)	-	(43,787)	(38,297)
Claim from Halifax NZ with respect to Investors with NZ CSAs	(835)	-	(13,021)	(11,388)
Trade Creditors	(1,013)	(1,013)	(1,013)	(1,013)
Contingent Creditors	Unknown	Unknown	Unknown	Unknown
Total shortfall to unsecured creditors	(4,767)	(1,123)	(57,930)	(50,809)

The following table provides an indication of the expected shortfall to total unsecured creditors of Halifax NZ:

\$000s	Low	High	Low	High
	23-Nov-18	23-Nov-18	30-Jun-20	30-Jun-20
Priority employee entitlements	(57)	(57)	(57)	(57)
IRD preferential claim	(51)	(51)	(51)	(51)
Total priority claims	(108)	(108)	(108)	(108)
Shortfall to Investors with NZ CSAs	(835)	-	(13,021)	(11,388)
Claim from Halifax AU with respect to shortfall to Investors with AU CSAs	(2,809)	-	(43,787)	(38,297)
Trade creditors	(10)	(10)	(10)	(10)
Contingent Creditors	Unknown	Unknown	Unknown	Unknown
Total shortfall to unsecured creditors	(3,762)	(118)	(56,925)	(49,804)

10 Operations and cash flow

The costs incurred in the liquidations have included ongoing operational costs (including rent, wages and platform costs), legal fees (including those of the Liquidators' lawyers, as well as Representative Defendants) and Liquidators' remuneration and disbursements. Other than legal costs, the most significant cost incurred by the Liquidators of Halifax AU and Halifax NZ continues to be the ongoing platform costs which are essential for:

- Facilitating ongoing trading of open positions;
- Reconciling Investor positions; and
- Ultimately distributing assets back to Investors in a timely manner.

We have continued to maintain basic infrastructure, IT systems and office operations to maintain the trading platforms and have reduced the monthly IT spend by approximately AU\$25,000.

10.1 Summary of receipts and payments

A summary of receipts and payments for the period 23 November 2018 to 31 July 2020 in respect of the Liquidators' bank account for both Halifax AU and Halifax NZ is provided at **Annexures A and B**.

Please note that **Annexures A1 and B1** relate only to the Administrators' and now Liquidators' operating accounts which includes all operating receipts and expenses for the Voluntary Administration and Liquidation period and excludes any receipts and payments from the pre-appointment s 981B trust accounts and pre-appointment accounts controlled by Halifax AU and Halifax NZ on appointment which are summarised at **Annexures A2 and B2**.

A list of the receipts and payments for the period 23 November 2018 to 31 July 2020 for all other accounts opened subsequent to the appointment of the Voluntary Administrators which contain funds held in segregated accounts is provided at **Annexure A3**.

10.2 Halifax AU - Cash flow

The following table provides a summary of the net cash flow position for Halifax AU from 23 November 2018 to 31 July 2020.

	AU\$
Transfers from pre-appointment Company accounts, Client Moneys Accounts, the IB AU Prop Account and the IB AU Master Account in accordance with funding Orders received (includes a small amount of other income and ATO refunds)	21,115,007
Trading expenses	
Platform costs	(1,780,672)
Employment	(943,901)
Occupancy	(207,506)
Other	(231,080)
Total trading expenses	(3,163,159)
Administration expenses	
Administrators' / Liquidators' remuneration and internal disbursements	(3,170,513)
Legal fees and disbursements	(6,730,397)
Legal costs paid on behalf of the Representative Defendants	(216,754)
Link Market Services – Investor communications / meeting costs	(524,696)
Other consultant costs	(56,955)
Total administration expenses	(10,699,314)
Closing cash	7,252,533

Further detail in relation to the remuneration incurred by the Voluntary Administrators and Liquidators of Halifax AU is provided at section 11.3.

10.3 Halifax NZ – Cash flow

The following table provides a summary of the net cash flow position for Halifax AU from 23 November 2018 to 31 July 2020

	NZ\$
Transfers from pre-appointment Company accounts, Client Moneys Accounts, the IB NZ Prop Account and the IB NZ Master Account in accordance with funding Orders received	4,123,080
Trading expenses	
Employment expenses	(107,312)
Occupancy	(52,279)
Other	(25,774)
Licence fees	(11,638)
Total trading expenses	(197,002)
Administration expenses	
Legal fees	(1,801,198)
Administrators' / Liquidators' remuneration and internal disbursements	(1,706,533)
Link Market Services – Investor communications / meeting costs	(194,847)
Representative defendants legal fees	(56,061)
Total administration expenses	(3,758,640)
Net cash flow	3,955,642
Closing cash	167,437

Further detail in relation to the remuneration incurred by the Voluntary Administrators and Liquidators of Halifax NZ is provided at section 11.4.

11 Remuneration and disbursements of the Voluntary Administrators and Liquidators

Key takeaway

1 All remuneration incurred and paid to the Liquidators of Halifax AU and Halifax NZ is subject to review by an independent third party assessor who has been appointed by the Courts.

Once remuneration has been reviewed, the independent third party assessor is required to provide his report to the Courts. Payment can only be made to the Liquidators once approval has been received from either the FCA (for Halifax AU) or the HCNZ (for Halifax NZ).

11.1 Total remuneration and internal disbursements

The following table provides a summary of the remuneration incurred by the Voluntary Administrators and Liquidators of Halifax AU and Halifax NZ from 23 November 2018 to 31 May 2020.

Remuneration	AU\$
Halifax AU	
Voluntary Administration: 23 November 2018 to 19 March 2019	1,700,889.00
Liquidation: 20 March 2019 to 31 May 2020	3,172,982.13
Subtotal	4,873,871.13
Halifax NZ	
Voluntary Administration: 27 November 2018 to 21 March 2019	616,903.80
Liquidation: 22 March 2019 to 31 May 2020	1,224,998.10
Subtotal	1,841,901.90
Total remuneration and internal disbursements incurred to 31 May 2020	6,715,773.03

The remuneration incurred by the Liquidators of Halifax AU and Halifax NZ will exceed the estimates provided in November 2018 for the following reasons:

- Given the uncertain nature of the Court proceedings, the initial estimates were intended to represent fees incurred until such time as the proceedings were commenced. It was not possible to provide an accurate estimate of fees incurred at the time of the Halifax AU and Halifax NZ VA Reports on the basis that the legal strategy, Court timetable, issues in dispute and the number of parties to be joined had not yet been determined.
- The estimates provided in the Halifax AU and Halifax NZ VA Reports were initial estimates only and were provided at a very early stage of the process at which point the timeframe to reach a final hearing in relation to the principal issues was unknown. The estimates provided were high level only and were subject to significant variances depending on the direction of any Court application.
- The level of complexity of this matter is higher than initially contemplated which has meant that the Liquidators have required significantly more input from their legal representatives.
- The complex nature of our investigations in relation to the commingling, funds flow and traceability of investor claims and the preparation of evidence in this regard was more time consuming and costly than initially anticipated.
- On the other hand, although factored into the estimates, there has been a very significant saving in costs by having the Australian proceedings and the New Zealand proceedings dealt with together.

11.2 Process for determining remuneration to be paid to Liquidators of Halifax AU and Halifax NZ

11.2.1 Court approval required for payment of remuneration and expenses from Client Moneys

As there were insufficient company funds from which remuneration could be paid, and although the creditors of Halifax AU and Halifax NZ and the COI and COC passed resolutions that there were no objections to the Administrators' and Liquidators' remuneration, the Liquidators were required to seek the Courts' directions in respect of whether remuneration could be paid from Client Moneys.

On 6 November 2019, the FCA determined that the Liquidators were justified in paying their remuneration from Client Moneys, and made orders in respect of the quantum of fees for the period 23 November 2018 to 31 August 2019 be paid from Client Moneys.

A copy of the decision of the FCA can be found at this link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-orders-j-gleeson-6-november-2019.pdf>

The equivalent decision of the HCNZ (that the Liquidators are justified to pay remuneration from Client Moneys) can be found at this link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-high-court-orders-19-december-2019.pdf>

11.2.2 Process for determining quantum of remuneration – Resolutions put to COI and COC

The Liquidators sought the COI's view of the quantum of remuneration incurred, with a view to seeking the FCA's determination for the purposes of the insolvency legislation until March this year. At meetings of the COI of Halifax AU, members resolved that they did not object to fees incurred by the Voluntary Administrators and Liquidators of Halifax AU during the period 23 November 2018 to August 2019.

At various meetings of the Halifax NZ COC, members resolved that they did not object to fees incurred by the Voluntary Administrators and Liquidators of Halifax NZ for the period 1 March 2019 to 30 November 2019.

In relation to these periods, the FCA and HCNZ subsequently provided approval for the remuneration and disbursements incurred in the periods above and put to the COI and COC to be paid from Client Moneys.

11.2.3 Process for determining quantum of remuneration – Court appointed Independent Third Party Reviewer

At COI meetings held in February and March 2020, it became clear that the functioning of the COI was becoming inefficient, resulting in an unnecessarily long and costly process. The FCA noted in its judgment of 2 July 2020 that members of the COI appeared to be taking into account irrelevant matters in considering the Liquidators' remuneration such that their review could not be relied upon.

The Liquidators sought guidance from the Courts on this issue, including in relation to Halifax NZ for consistency, and on 2 July 2020, orders were made by the FCA and the HCNZ that the remuneration incurred by the Liquidators would be reviewed by an independent expert prior to being put before the Courts for final approval.

The independent expert engaged for this purpose is Mr Tony Tesoriero, a former Deputy District Registrar of the FCA. Mr Tesoriero has reviewed and approved remuneration incurred by the Liquidators for the period 1 September 2019 to 31 May 2020 for Halifax AU and 1 December 2019 to 31 May 2020 for Halifax NZ.

11.3 Halifax AU

11.3.1 Remuneration incurred and paid from 23 November 2018 to 31 August 2019

Following the process detailed above at section 11.2.2, the Administrators' and Liquidators' remuneration for the period from 23 November 2018 to 31 August 2019 was approved and paid in the amount of \$2,797,269.50 (excluding GST), and Internal Disbursements in the amount of \$85,105.19 (excluding GST). See orders of 6 November 2019 at section 11.2.2 above.

11.3.2 Remuneration incurred for the period 1 September 2019 to 31 May 2020

Following the process detailed above at section 11.2.3, the Liquidators' remuneration for the period from 1 September 2019 to 31 May 2020 was approved and paid in the amount of \$2,076,601.63 (excluding GST). See orders of 31 July 2020 at this link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-australia-orders-j-gleeson-31-july-2020.pdf>

11.3.3 Summary of remuneration and internal disbursements incurred by the Liquidators of Halifax AU

The following table provides a summary of total fees incurred by the Liquidators of Halifax AU to 31 May 2020:

	AU\$
Remuneration paid to the Voluntary Administrators of Halifax AU for the period 23 November 2018 to 19 March 2019	1,700,889.00
Remuneration paid to the Liquidators of Halifax AU for the period 20 March 2019 to 31 May 2020	3,172,982.13
Total remuneration incurred by the Voluntary administrators and Liquidators of Halifax AU	4,873,871.13

The following tables provides a summary of total internal disbursements incurred by the Liquidators of Halifax AU to 31 May 2020.

	AU\$
Internal Disbursements incurred by the Voluntary Administrators of Halifax AU	43,064.61
Internal Disbursements incurred by the Liquidators of Halifax AU	134,748.39
Total Internal Disbursements incurred by the Voluntary administrators and Liquidators of Halifax AU	177,813.00

11.4 Halifax NZ

11.4.1 Fees and disbursements incurred during the period 27 November 2018 to 30 November 2019

Remuneration and internal disbursements approved by creditors of Halifax NZ at the Watershed Meeting for the period 27 November 2018 to 28 February 2019 in the amount of AU\$433,476.50 was paid from company assets of Halifax NZ.

Following the process detailed above at section 11.2.1:

- The Administrators' and Liquidators' remuneration for the period from 1 March 2019 to 31 August 2019 was approved and paid in the amount of AU\$704,217.05 and Internal Disbursements in the amount of AU\$125,791.60. See Orders of the HCNZ dated 19 December 2019 at the following link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-high-court-orders-19-december-2019.pdf>

- The Liquidators' remuneration for the period from 1 September 2019 to 30 November 2019 was approved and paid in the amount of AU\$317,564.10 and Internal Disbursements in the amount of AU\$21,117.65. See orders of the HCNZ dated 29 May 2020 at the following link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-sealed-interlocutory-orders-29-may-2020.pdf>

11.4.2 Remuneration incurred for the period 1 December 2019 to 31 May 2020

Following the process detailed above at section 11.2.3, the Liquidators' remuneration for the period from 1 December 2019 to 31 May 2020 was approved and paid in the amount of AU\$386,644.25 (excluding GST). See minute of the HCNZ dated 5 August 2020 at this link:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-minute-13-justice-venning-5-august-2020.pdf>

11.4.3 Summary of remuneration and internal disbursements incurred by the Liquidators of Halifax NZ

The following table provides a summary of total remuneration incurred by the Administrators and Liquidators of Halifax NZ to 31 May 2020:

Halifax NZ - remuneration	AU\$
Remuneration paid to the Administrators of Halifax NZ for the period 23 November 2018 to 21 March 2019	616,903.80
Remuneration paid to the Liquidators of Halifax NZ for the period 22 March 2019 to 30 November 2019	838,353.85
Remuneration incurred and unpaid by the Liquidators of Halifax NZ for 1 December 2019 to 31 May 2020	386,644.25
Total Remuneration incurred by the Administrators and Liquidators of Halifax NZ	1,841,901.90

The following tables provides a summary of total internal disbursements incurred by the Administrators and Liquidators of Halifax NZ to 31 May 2020. The disbursements incurred for the period 1 December 2019 to 31 May 2020 have not yet been paid:

Halifax NZ – Internal disbursements	AU\$
Internal Disbursements paid to the Administrators of Halifax NZ from 27 November 2018 to 21 March 2019	86,000.51
Internal Disbursements paid to the Liquidators of Halifax NZ from 22 March 2019 to 30 November 2019	60,508.74
Disbursements incurred and unpaid by the Liquidators of Halifax NZ from 1 December 2019 to 31 May 2020	25,259.60
Total Internal Disbursements incurred by the Administrators and Liquidators of Halifax NZ	172,168.85

11.5 Disbursements - Legal fees

11.5.1 Administrators' and Liquidators' legal costs

Set out below is a summary of legal fees (including Counsel costs) incurred by the Liquidators and paid to 31 July 2020:

	AU\$
Halifax AU	
Johnson Winter & Slattery	931,872.84
K&L Gates	5,197,762.26
Total paid for Halifax AU	6,129,635.10
Halifax NZ	
Chapman Tripp	645,370.56
Russell McVeagh	946,126.68
Total paid for Halifax NZ	1,591,497.23
Total Halifax Group legal costs paid to 31 July 2020	7,721,132.33

The amounts outlined above do not include legal fees incurred by the various Representative Defendants. Please refer to section 10.2 for further information in this regard.

Please note, the orders made by the FCA and HCNZ also provided that the Liquidators were justified in using Client Moneys to pay the expenses of the liquidation, which includes external disbursements such as legal and counsel fees.

12 Conclusion

Questions regarding the Liquidation should be directed to KPMG via email at halifax@kpmg.com.au.

Please visit the links to the following websites for a copy of all correspondence issued to Investors:

Halifax AU: <https://home.kpmg/au/en/home/creditors/halifax-investment-services.html>

Halifax NZ: <https://home.kpmg/au/en/home/creditors/halifax-nz-limited.html>

Dated this 31st day of August 2020



Morgan Kelly
Liquidator

Glossary

Abbreviation	Description
ACN	Australian Company Number
Corporations Act	Corporations Act 2001 (Cth)
Accountant	The accountants of Halifax AU as at 23 November 2018
Liquidators	Morgan Kelly and Phil Quinlan
Liquidation	Liquidation of Halifax Investment Services Pty Limited and Halifax New Zealand Ltd
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
Auditors	The auditors of the Company as at 23 November 2018
Clients	Investors who trade through the platforms. For the purposes of this Report, Clients and Investors are used interchangeably
Client Moneys	Funds invested by Investors into Halifax
ARITA Code	ARITA Code of Professional Practice
COI	Committee of Inspection (Halifax AU)
COC	Committee of Creditors (Halifax NZ)
Courts	The Federal Court of Australia and the High Court of New Zealand
Company	Halifax Investment Services Pty Ltd (In Liquidation)
Department of Employment	Department of Employment, Skills, Small and Family Business
EOS	Estimated Outcome Statement
ERV	Estimated Realisable Value
FAQ	Frequently asked questions
FCA	Federal Court of Australia
FEG	Fair Entitlements Guarantee
FMA	Financial Markets Authority
Halifax AU	Halifax Investment Services Pty Ltd (In Liquidation)
Halifax AU Director	Jeffrey John Worboys
Halifax AU Former Director	Matthew Barnett

Halifax Group	Halifax AU and Halifax NZ
Halifax NZ	Halifax New Zealand Limited (in Liquidation)
Halifax NZ Director	Andrew Gibbs
HCNZ	High Court of New Zealand
Investors	For the purposes of this report, Clients and Investors are used interchangeably
IB	Interactive Brokers
Joint Proceedings	Proceedings in Federal Court of Australia and High Court of New Zealand in relation to the distribution of Client Monies to Investors of Halifax AU and Halifax NZ
SGC	Superannuation Guarantee Charge
This Report	Report to Investors and Creditors dated 31 August 2020
Halifax AU VA Report	Voluntary Administrators' Report prepared by the Liquidators of Halifax AU dated 12 March 2019
Halifax NZ VA Report	Voluntary Administrators' Report prepared by the Liquidators of Halifax AU dated 14 March 2019

Annexures

A1 – Receipts and Payments to 31 July 2020

Halifax AU Liquidators' operating account

The following table provides a summary of funds held in the Halifax AU Liquidators' operating account from 23 November 2018 to 31 July 2020.

	Total AU\$
Receipts	
Transfer of funds from pre-appointment accounts per Funding Orders (see further detail at Annexure C)	20,354,371
GST refunds	676,774
Reimbursement of Halifax NZ costs	44,661
ATO cash flow boost	35,976
Other	3,223
Total receipts	21,115,007
Expenses	
Platform costs	
One Zero (MT4, MT5 and IB)	(1,174,524)
Metaquotes (MT4)	(250,443)
Metaquotes (MT5)	(136,385)
CBOE (MT5)	(124,592)
ASX Operations (MT5)	(79,768)
Chi-X (MT5)	(11,959)
Chicago Mercantile (MT4 and MT5)	(3,000)
Total platform costs	(1,780,672)
Employment costs	
Wages and salaries	(665,965)
PAYG	(214,323)
Superannuation	(63,613)
Total employment costs	(943,901)
Occupancy costs	
Rent and on costs	(207,506)
Total occupancy costs	(207,506)
Other costs	
Insurance	(95,367)
Rent paid on behalf of Halifax NZ	(46,235)
Other (bank charges, utilities, document storage, registration fees)	(27,540)
Website	(26,771)
Telephone	(17,801)
Internet	(9,465)
Accounting	(5,786)
Electricity	(2,116)
Total other costs	(231,080)
Administration expenses	
Legal fees	(6,730,397)
Administrators/Liquidators fees	(3,080,033)
Link Market Services	(481,721)
Representative defendant costs	(216,754)

	Total AU\$
Administrators'/Liquidators disbursements	(90,480)
Other Consultants costs	(56,955)
Meeting costs	(42,974)
Total Administration expenses	(10,699,314)
Total expenses	(13,862,473)
Closing balance for appointee account	7,252,533

A2 – Receipts and Payments to 31 July 2020

Halifax AU pre-appointment Client Money Accounts

The following table provides a summary of the transactions in the Halifax AU pre-appointment trust bank accounts or s981b trust accounts and controlled by the Liquidators as at 31 July 2020. The below analysis excludes the Liquidators' operating account set out in **Annexure A1**.

	Total AU\$ Equivalent
Opening cash balance at appointment	1,381,707
Receipts	
Receipt of funds held by Halifax Asia and other miscellaneous deposits including interest	136,487
Investor deposits	105,710
FX Gain / (loss)	35,664
Total receipts	277,862
Payments	
Client Moneys transferred to Appointee Accounts (as per Funding Orders)	(1,303,706)
Bank charges	(152)
Total payments	(1,303,858)
Closing balance for pre-appointment account	355,711

All foreign currency accounts have been converted to AUD based on the RBA exchange rates as at 31 July 2020

The above schedule incorporates payments to and from the Halifax Grouped Account, IB Allocated Account, Halifax Pro Allocated Account and Gold Term Deposit, NAB USD Account, NAB NZD Account, NAB SGD Account, NAB EUR Account and NAB GBP Account.

Halifax AU pre-appointment Company accounts

The following table provides a summary of transactions in the pre-appointment bank accounts (ie accounts which did not hold Client Moneys and were not designated as section 981b trust accounts) in the name of Halifax AU and controlled by the Liquidators as at 31 July 2020. The below analysis excludes the appointee trading account set out in **Annexure A1**.

	Total AU\$ Equivalent
Opening cash balance at appointment	646,982
Receipts	
Bankwest commissions and funds transferred from pre-appointment accounts	17,852
Interest	14,240
FX Gain / (loss)	52
Total receipts	32,144
Payments	
Funds transferred to Appointee Account (as per Funding Orders)	(660,906)
Bank charges	(4,122)
Total payments	(665,028)
Closing balance for pre-appointment account	14,098

A3 – Receipts and Payments to 31 July 2020

Halifax AU Appointee Accounts (separate to the trading account outlined in Annexure A1)

The following table provides a summary of the transactions in the bank accounts opened by the Liquidators of Halifax AU subsequent to the appointment of the Voluntary Administrators and now Liquidators as at 31 July 2020. These accounts contain funds which are or were segregated at some point from the funds in the Liquidators main trading account (see **Annexure A1**).

	Total AU\$ Equivalent
Receipts	
Funds received from Invest, Gain and other third parties	4,307,640
Receipt of funds from Interactive Brokers	3,200,000
FX Gain / (loss)	442,979
Funds received from merchant providers	304,573
Funds received from Bankwest Bank Guarantee	129,295
Funds segregated for future use	49,867
Investor deposits	40,656
Debtor receipts	4,145
Total receipts	8,479,145
Payments	
Funds transferred to Appointee Account (as per Funding Orders)	(7,948,468)
Refund of post appointment Investor deposits	(41,194)
Total payments	(7,989,661)
Closing balance for post-appointment segregated account	489,484

All foreign currency accounts have been converted to AUD based on the RBA exchange rates as at 31 July 2020

B1 – Receipts and Payments to 31 July 2020

Halifax NZ Liquidators' operating account

The following table provides a summary of the transactions in the Liquidators' operating account as at 31 July 2020.

	Total NZ\$
Receipts	
Transfer of funds from pre-appointment accounts per Funding Orders (see further detail at Annexure C)	2,890,377
Receipt of pre-appointment funds in Company accounts	96,345
Term deposit receipt	1,113,565
Unclaimed monies	21,437
Other assets	1,356
Total receipts	4,123,080
Payments	
Trading costs	
Rent	(52,279)
Licence fees	(11,638)
Other expenses	(6,629)
Media consultants	(4,739)
Telephone and internet	(4,419)
Accounting	(3,500)
Contractors	(3,452)
Insurance	(1,844)
Valuation fees	(863)
Website	(327)
Total trading costs	(89,691)
Wages	
Net wages	(75,659)
PAYE	(24,023)
Superannuation	(5,651)
Other reimbursements	(1,978)
Total wages	(107,312)
Administration costs	
Legal fees	(1,801,198)
Liquidators' fees	(917,403)
Administrators' fees	(649,781)
Link Market Services	(182,060)
Administrators' disbursements	(92,644)
Representative defendant costs	(56,061)
Liquidators' disbursements	(46,706)
Meeting costs (first and second)	(12,788)
Total Administration costs	(3,758,640)
Total payments	(3,955,642)
Closing balance for appointee account	167,437

B2 – Receipts and Payments to 31 July 2020

Halifax NZ pre-appointment Client Moneys accounts

The following table provides a summary of transactions held in the Halifax NZ pre-appointment trust bank accounts (ie accounts containing Client Moneys) and controlled by the Liquidators as at 31 July 2020. The below analysis excludes the Liquidators' operating account set out in **Annexure B1**.

	Total NZ\$
Opening cash balance at appointment	1,764,981
Receipts	
Investor deposits	82,011
Interest income	7,535
Total receipts	89,546
Payments	
Transfer to Appointee trading account (as per Funding Orders)	(1,623,380)
Bank charges	(1,559)
Other expenses	(1,000)
Total payments	(1,625,940)
Closing balance for pre-appointment account	228,587

Halifax NZ pre-appointment Company accounts

The following table provides a summary of transactions in the pre-appointment bank accounts in the name of Halifax NZ which do not contain Client Moneys and controlled by the Liquidators as at 31 July 2020. The below analysis excludes the appointee trading account set out in **Annexure B1**.

	Total NZ\$
Opening cash balance at appointment	1,209,910
Payments to Appointee trading account	(1,209,910)
Bank charges	(301)
Total payments	(1,210,211)
Closing balance for pre-appointment account	(301)

C – List of funds accessed pursuant to Court Orders

The following table provides a summary of accounts accessed by the Liquidators to fund the ongoing costs of the Voluntary Administration and Liquidation of Halifax AU as per the Funding Orders handed down by the FCA.

Account name	AU\$ Equivalent amounts swept into accounts operated by the Liquidators	Court Orders
Funds received from solicitors trust accounts	96,589	January 2019 FCA Orders
Bankwest Term Deposit (4646460)	1,610,326	
NAB Company Account (82057308580742)	79,651	
NAB Company Account (82057946205445)	523,076	
Halifax Grouped Account	22,594	August 2019 Orders
NAB Second Account (82057946562768)	20,617	
Invest hedging facilities	4,346,566	
Gain hedging facilities	401,902	
IB AU Master (cash only, excluding client accounts)	1,340,200	
IB AU Prop Account (cash only)	10,649,800	
Halifax Pro Allocated Account	162,638	
IB Allocated Account	148,100	
NAB NZD Account	501,076	
NAB USD Account	303,816	
NAB SGD Account	53,119	
NAB GBP Account	10,059	
NAB EUR Account	84,242	
Total	20,354,371	

Links to the January 2019 and August 2019 Funding Orders are below:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-federal-court-of-australia-orders-regarding-outcome-of-funding-application-25-january-2019.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-investment-services/halifax-kelly-in-the-matter-of-halifax-investment-services-pty-ltd-in-liq-22-august-2019.pdf>

No funds have been withdrawn pursuant to the July 2020 Orders at this stage.

The following table provides a summary of accounts accessed by the Liquidators to fund the ongoing costs of the Voluntary Administration and Liquidation of Halifax NZ as per the Funding Orders handed down by the HCNZ.

Halifax NZ		
Account name	NZ\$ Equivalent amounts swept into accounts operated by the Liquidators	Court Orders
ANZ HNZ Account (01-0121-0135307-02)	445,734	December 2019 Orders
ANZ USD Account	1,173,272	
ANZ EUR Account	3,451	
IB NZ Prop Account	337,920	May 2020 Orders
IB NZ Master Account (cash in non-client accounts only)	930,000	
Total	2,890,377	

Links to the December 2019 and May 2020 funding Orders are below:

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-sealed-interlocutory-orders-29-may-2020.pdf>

<https://assets.kpmg/content/dam/kpmg/au/pdf/creditors/halifax-nz-limited/halifax-nz-sealed-interlocutory-order-30-july-2020.pdf>

D – DIRRI

Corporations Act 2001
Section 506A

Halifax Investment Services Pty Ltd (In Liquidation) (the Company)
ACN 096 980 522

Declaration of Independence, Relevant Relationships and Indemnities

Practitioners appointed to an insolvent entity are required to make declarations as to:

- A. Their independence generally;
- B. Relationships, including
 - (i) The circumstances of the appointment;
 - (ii) Any relationships with the Company and others within the previous 24 months;
 - (iii) Any prior professional services for the Company within the previous 24 months;
 - (iv) That there are no other relationships to declare; and
- C. Any indemnities given or upfront payments made to the practitioner(s).

This declaration is made in respect of ourselves, our partners, KPMG Australia and related parties covered by the extended definition of the firm (collectively **KPMG**).

On 17 June 2019 Ferrier Hodgson merged with KPMG Australia with the majority of Ferrier Hodgson's partners and staff joining the combined business (**Merger**).

A. Declaration of independence

We, Morgan Kelly and Philip Quinlan, and KPMG, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Administrators and subsequently Liquidators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) and applicable professional standards.

This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

It remains the case, following the Merger, that we are not aware of any reasons that would prevent us from continuing this appointment.

If any conflict arises, we will seek independent legal advice or court directions if appropriate.

If this declaration needs to be updated we will issue written notice to all known creditors as set out in the records of the Company or as otherwise known to us.

B. Declaration of relationships

- (i) Circumstances of appointment

This appointment was referred to us by Johnson Winter & Slattery acting on behalf of the Company. That firm is known to us on a professional basis.

We believe that this relationship does not result in a conflict of interest or duty because:

- Referrals from solicitors, business advisors and accountants are commonplace and do not impact on our independence in carrying out our duties as liquidators.
- KPMG has never undertaken any work for Johnson Winter & Slattery in respect of the Company.
- The work that we, or KPMG, undertake for Johnson Winter & Slattery will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the Company's liquidation in an objective and impartial manner

On 21 November 2018, Morgan Kelly, Phil Quinlan and Martie Livanos (previously Ferrier Hodgson, now KPMG) met with Marcus Clarke (Johnson Winter & Slattery) and Jeffrey Worboys (**the Director**).

On Thursday 22 November 2018, Morgan Kelly (previously Ferrier Hodgson, now KPMG) conducted a telephone conversation with Marcus Clarke and Jeffrey Worboys.

We received no remuneration for any of the meeting or telephone conversations outlined above. The purpose of these meetings were as follows:

- To explain the various options available to the Company and the nature and consequences of an insolvency appointment.
- To discuss various issues which may impact the appointment.
- To obtain sufficient information about the financial position of the Company to advise the Company, its officers and its advisors on the Company's solvency.
- To provide a consent to act.

This meeting and phone call do not affect our independence for the following reasons:

- Ferrier Hodgson's advice was limited to assessing the Company's financial position, the consequences of insolvency and restructuring options.
- Advice was given by Ferrier Hodgson (now KPMG) to the Company only. We did not advise the directors personally or others.
- The Courts and the Code specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or an impediment to accepting the appointment.
- The nature of the advice is such that it would not be subject to review and challenge during the administration, now liquidation.
- The pre-appointment advice will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the administration, now liquidation, in an objective and impartial manner.

We have provided no other information or advice to the Company, its directors and its advisors prior to my appointment beyond that outlined in this DIRRI.

(ii) Relevant relationships (excluding professional services to the Company)

We, or Ferrier Hodgson (now KPMG), have, or have had **within** the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why no impediment or conflict of interest or duty
Halifax New Zealand Limited (Halifax NZ)	We were appointed Voluntary Administrators of Halifax NZ on 27 November 2018 and subsequently Liquidators of Halifax NZ on 22 March 2019.	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> - Halifax NZ operates in conjunction with the Company. The nature of the business operations mean that the liquidations can be conducted more efficiently by one practitioner. - At the time of our appointment, we were not aware of any conflicts of interest between Halifax NZ and the Company. - Should such a conflict arise, we will keep creditors informed and take appropriate action to resolve the conflict.

(iii) Prior professional services to the Company

We, or Ferrier Hodgson (now KPMG), or KPMG have undertaken the following engagements for the Company prior to the acceptance of this appointment outside the preceding 24 months:

Name	Nature of relationship	Reasons why no impediment or conflict of interest or duty
Halifax Investment Services Pty Ltd	<p>On 23 November 2012, Ferrier Hodgson Forensics were engaged to review the brokerage accounts and interest calculations of an associated entity.</p> <p>The engagement was finalised in April 2013.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> - The previous role undertaken by Ferrier Hodgson Forensics will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the liquidation of the Company in an objective and impartial manner. - Is not material to the insolvency; - Does not create a potential litigation claim against the practitioner; and - Is not related to structuring of financial affairs of the Company in order to avoid the consequences of insolvency.
Halifax Investment Services Pty Ltd	<p>On 21 March 2016, Ferrier Hodgson Forensics were engaged to undertake the following:</p> <ul style="list-style-type: none"> - Review and testing of Halifax Pro trading platform through 'demo' accounts; and - Inspection of debit and credit balances reflected in the trading platform and bank account deposits as performed by the Company. <p>This engagement was finalised in October 2016.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> - The previous role undertaken by Ferrier Hodgson Forensics will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the liquidation of the Company in an objective and impartial manner; - Is not material to the insolvency; - Does not create a potential litigation claim against the practitioner; and - Is not related to structuring of financial affairs of the Company in order to avoid the consequences of insolvency.
Halifax Investment Services Pty Ltd	<p>In May 2016, Ferrier Hodgson Forensics were engaged to provide assistance to the Company in their dealings with the liquidators of BBY.</p> <p>This engagement was finalised in October 2016.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> - The previous role undertaken by Ferrier Hodgson Forensics will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the liquidation of the Company in an objective and impartial manner; - Is not material to the insolvency; - Does not create a potential litigation claim against the practitioner; and - Is not related to structuring of financial affairs of the Company in order to avoid the consequences of insolvency.
Halifax Investment Services Pty Ltd	<p>In July 2016, Ferrier Hodgson Forensics were engaged to review contingent liabilities.</p> <p>This engagement was finalised in October 2016.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> - The previous role undertaken by Ferrier Hodgson Forensics will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the liquidation of the

		<p>Company in an objective and impartial manner;</p> <ul style="list-style-type: none"> - Is not material to the insolvency; - Does not create a potential litigation claim against the practitioner; and - Is not related to structuring of financial affairs of the Company in order to avoid the consequences of insolvency.
Halifax Investment Services Pty Ltd	<p>On 20 July 2016, Ferrier Hodgson Forensics were engaged to preserve an external register of the notifications forwarded to the Company's clients in respect to transferring clients.</p> <p>This engagement was finalised in October 2016.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> - The previous role undertaken by Ferrier Hodgson Forensics will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the liquidation of the Company in an objective and impartial manner; - Is not material to the insolvency; - Does not create a potential litigation claim against the practitioner; and - Is not related to structuring of financial affairs of the Company in order to avoid the consequences of insolvency.

(iv) No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, within the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a security interest over the whole or substantially the whole of the Company's property that should be disclosed.

C. Indemnities and up-front payments

We have not been indemnified in relation to the administration and now liquidation, other than any indemnities that we may be entitled to under statute. We have not received any upfront payments in respect of our remuneration or disbursements.

Dated this 31st day of August 2020



Morgan Kelly
Liquidator



Philip Quinlan
Liquidator

Note:

If circumstances change, or new information is identified, we are required under Subsection 506A(5) of the Act and the Code to update this declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors

Any relationships, indemnities or up-front payments disclosed in the declaration must not be such that the practitioner is no longer independent. The purpose of components B and C of the declaration is to disclose relationships that, while they do not result in the practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the practitioner nevertheless remains independent.