

## BBYH and BBYL Financial Summary FY2010 to FY2014

### BBY Holdings Pty Ltd

The Liquidators have presented a below a summary of the BBY Holdings Statements of Profit and Loss, Statements of Financial Positions and Cash Flow Statements for the period of FY2010 to FY2014 based on the audited financial statements. This is followed by our financial analysis of these statements. The signed financial statements for BBYH is included at Appendix 4.

BBY Holdings - Statement of Profit & Loss					
\$'000	FY10	FY11	FY12	FY13	FY14
Revenue	20,552	24,762	35,393	39,764	44,779
Other income	2,063	5,010	8,218	4,100	5,068
Expenses excluding finance costs	(27,248)	(32,941)	(42,858)	(45,272)	(46,817)
Finance costs	(71)	(105)	(528)	(539)	(1,043)
<b>Profit/(loss) before income tax</b>	<b>(4,704)</b>	<b>(3,274)</b>	<b>225</b>	<b>(1,947)</b>	<b>1,987</b>
Income tax (expense)/benefit	(478)	204	(74)	20	(480)
<b>Net Profit/(loss)</b>	<b>(5,182)</b>	<b>(3,070)</b>	<b>151</b>	<b>(1,927)</b>	<b>1,507</b>
Other Comprehensive Income	(159)	(38)	0	(190)	(54)
Gain on the revaluation of available for sale financial assets (net of tax)	0	0	0	0	0
<b>Total Comprehensive income</b>	<b>(5,341)</b>	<b>(3,108)</b>	<b>151</b>	<b>(2,117)</b>	<b>1,453</b>

Source: Audited financial statements

BBY Holdings - Statement of Financial Position					
\$'000	FY10	FY11	FY12	FY13	FY14
<b>Current Assets</b>					
Cash And Cash Equivalents	7,817	6,573	4,986	6,402	2,591
Trade And Other Receivables	2,375	2,930	69,089	59,376	60,178
Other Financial Assets	3,151	4,875	2,783	2,827	2,722
Other Assets	166	843	43	133	1,335
<b>Total Current Assets</b>	<b>13,509</b>	<b>15,221</b>	<b>76,901</b>	<b>68,738</b>	<b>66,826</b>
<b>Non-Current Assets</b>					
Deferred Tax Asset	459	514	694	888	899
Property, plant and equipment	425	247	222	245	462
Other Financial Assets	5,045	8,488	6,953	7,883	7,883
Intangible asset	23	23	0	0	0
<b>Total Non-Current Assets</b>	<b>5,952</b>	<b>9,272</b>	<b>7,869</b>	<b>9,016</b>	<b>9,244</b>
<b>Total Assets</b>	<b>19,461</b>	<b>24,493</b>	<b>84,770</b>	<b>77,754</b>	<b>76,070</b>
<b>Current Liabilities</b>					
Trade And Other Payables	5,761	9,670	72,227	64,673	61,163
Provisions	689	711	887	992	1,025
Borrowings	0	0	0	4,500	4,500
<b>Total Current Liabilities</b>	<b>6,450</b>	<b>10,381</b>	<b>73,114</b>	<b>70,165</b>	<b>66,688</b>
<b>Non-Current Liabilities</b>					
Deferred Tax Liabilities	729	1,138	5	3	3
Long-Term Borrowings	1,061	844	2,000	0	0
Provisions	292	406	282	215	482
<b>Total Non-Current Liabilities</b>	<b>2,082</b>	<b>2,388</b>	<b>2,287</b>	<b>218</b>	<b>485</b>
<b>Total Liabilities</b>	<b>8,532</b>	<b>12,769</b>	<b>75,401</b>	<b>70,383</b>	<b>67,173</b>
<b>Net Assets</b>	<b>10,929</b>	<b>11,724</b>	<b>9,369</b>	<b>7,371</b>	<b>8,897</b>
<b>Equity</b>					
Issued Capital	13,601	16,601	16,601	16,601	16,601
Reserves	1,748	2,614	107	(83)	(137)
Retained Profits	(4,420)	(7,490)	(7,339)	(9,207)	(7,700)
Non-Controlling Interest	0	0	0	60	133
<b>Total Equity</b>	<b>10,929</b>	<b>11,725</b>	<b>9,369</b>	<b>7,371</b>	<b>8,897</b>

Source: Audited financial statements

**BBY Holdings - Statement of Cash Flows**

<b>\$'000</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
<b>Cash flow from operating activities</b>					
Receipts from customers	20,190	23,489	30,734	36,157	47,946
Payments to suppliers and employees	(21,836)	(25,097)	(37,927)	(39,846)	(52,635)
Interest received	262	602	2,974	3,216	1,451
Finance costs paid	(72)	(105)	(528)	(539)	(369)
Income tax refund/(paid)	119	-	(1,314)	(34)	(12)
<b>Net cash outflow from operating activities</b>	<b>(1,337)</b>	<b>(1,111)</b>	<b>(6,061)</b>	<b>(1,046)</b>	<b>(3,619)</b>
<b>Cash flow from investing activities</b>					
Payments for plant and equipment	(199)	(310)	(97)	(163)	(256)
Net (payments for purchase)/proceeds from sale of investment securities	291	(2,826)	3,031	125	64
<b>Net cash (outflow)/inflow from investing activities</b>	<b>92</b>	<b>(3,136)</b>	<b>2,934</b>	<b>(38)</b>	<b>(192)</b>
<b>Cash flow from financing activities</b>					
Amount advanced (from)/to related parties	206	3	1,540	(2,500)	-
Repayment/(advances) of borrowings	2	3,000	-	-	-
<b>Net cash inflow from financing activities</b>	<b>208</b>	<b>3,003</b>	<b>1,540</b>	<b>(2,500)</b>	<b>-</b>
Net (decrease)/increase in cash held	(1,037)	(1,244)	(1,587)	1,416	(3,811)
Cash at the beginning of the financial year	8,853	7,817	6,573	4,986	6,402
<b>Cash at the end of the financial year</b>	<b>7,816</b>	<b>6,573</b>	<b>4,986</b>	<b>6,402</b>	<b>2,591</b>

Source: Audited financial statements

Based on these BBY Holdings balance sheets, profit and loss statements and cash flow statements, the Liquidators have summarised below our major observations:

- The Group made cumulative losses of \$9.0 million between FY10 to FY14. The audited financial statements made the comments this was due to a number of reasons which included write offs of related entity loans, increases in transactional expenses such as commissions relative to the increase in revenue, impairments in receivables and reduction in the fair value of financial derivative assets.
- Revenues from ordinary activities increased from \$20.6 million in FY10 to \$44.8 million in FY14, which can be attributed to market activity picking up since the GFC which occurred in FY09, the acquisition of StoneBridge Group in August 2011 resulting in the company having a national presence and being able to offer an extended stockbroking service to its clients, the company qualifying as a direct participant of ASX Clear in October 2011 which enabled the company to generate revenues from clearing its own trades and the acquisition of Cameron Stockbrokers in August 2012.
- Interest received increased from \$0.3 million in FY10 to \$3.0 million in FY12 due to client monies being invested in high interest term deposit accounts. The significant increase was due to the acquisition of Stonebridge in FY12 which resulted in SAXO, FX, Equity, ETO, and Futures client monies being integrated into the BBY business. The interest received had decreased substantially from \$3.2 million in FY13 to \$1.5 million in FY14.
- Cash and cash equivalents decreased by \$5.2 million from \$7.8 million in FY10 to \$2.6 million in FY14. During this period, the net cumulative operating cash flow deficiency was \$13.2 million
- Cash received to the Group from related parties and/ or directors during this period was \$4.2 million, with approximately \$3 million advanced in FY11.
- Other financial assets increased from \$5.0 million in FY10 to \$7.9 million in FY14, which was mainly attributable to \$7.9 million of convertible notes in Firestone Energy that was part of an underwriting undertaken by the Group in September 2009. This was offset against decreases in the value of derivative financial assets during this period.
- Trade receivables increased from \$2.3 million in FY10 to \$69.1 million in FY12, which was mainly the result of \$55.9 million in segregated assets and \$8.2 million in clearing receivables. The segregated assets were mainly the result of the StoneBridge acquisition and client monies for SAXO, Futures, FX, Equity and ETO being brought across. The clearing receivables was due to BBY becoming a clearing participant during the year. The balance of the segregated assets had decreased from \$55.9 million in FY12 to \$40.2 million in FY14.
- Trade payables increased from \$5.8 million in FY10 to \$72.2 million in FY12, which was mainly due to segregated liabilities of \$61.4 million, which were client entitlements in relation to various product categories including SAXO, Futures, Equity and ETO that came across from StoneBridge
- Bank overdraft with the secured creditor increased from \$0.7 million in FY12 to \$8.0 million in FY13, which was being used for clearing and settling transactions, which typically settled on the third day after transaction date. The facility was used by the Group to assist in funding settlements on behalf of clients, which the company began to perform once it qualified as a direct participant of ASX Clear in October 2011

- *Total borrowings* increased from \$1.1 million in FY10 to \$4.5 million in FY14, which were director related loans provided over a number of years. The purpose of these loans was not disclosed in the financial statements.
- In December 2014, \$5.9 million of the *Firestone convertible notes* held by the Group were transferred to director related entities at face value of \$1 per note for total consideration of \$5.9 million.

## BBY Limited

The Liquidators have presented a summary below of the BBY Limited Statements for Profit and Loss, Statements of Financial Positions and Cash Flow Statements for the period of FY2010 to FY2014 based on the audited financial statements. The signed financial statements for BBYL are included at Appendix 4.

BBY Limited - Statement of Profit & Loss					
\$'000	FY10	FY11	FY12	FY13	FY14
Revenue	20,277	25,946	36,960	34,449	39,879
Other income	2,020	4,024	6,432	3,994	2,410
Expenses excluding finance costs	(22,034)	(30,444)	(39,902)	(39,582)	(40,670)
Finance costs	(71)	(92)	(357)	(536)	(368)
Impairment charge	0	0	0	0	(3,395)
<b>Profit/(loss) before income tax</b>	192	(566)	3,133	(1,675)	(2,140)*
Income tax (expense)/benefit	(246)	42	(66)	183	(470)
<b>Net Profit/(loss)</b>	<b>(54)</b>	<b>(524)</b>	<b>3,067</b>	<b>(1,492)</b>	<b>(2,610)</b>
Other Comprehensive Income	-	-	-	-	0
Gain on the revaluation of available for sale financial assets (net of tax)	557	904	(2,507)	-	-
<b>Total Comprehensive income</b>	<b>503</b>	<b>380</b>	<b>560</b>	<b>(1,492)</b>	<b>(2,610)</b>

Source: Audited financial statements

\* The Liquidators understand that the Profit/(Loss) before income tax for FY14 should be (2,144). However, we have presented the figures per the BBY Limited 30 June 2014 audited financial statements.

BBY Limited - Statement of Financial Position					
\$'000	FY10	FY11	FY12	FY13	FY14
<b>Current Assets</b>					
Cash And Cash Equivalents	7,259	6,340	4,560	6,039	2,234
Trade And Other Receivables	12,452	13,613	78,650	73,896	69,279
Other Financial Assets	3,026	4,776	223	164	123
Other Assets	41	93	5	133	1,335
<b>Total Current Assets</b>	<b>22,778</b>	<b>24,822</b>	<b>83,438</b>	<b>80,232</b>	<b>72,971</b>
<b>Non-Current Assets</b>					
Deferred Tax Asset	155	86	275	458	472
Other Financial Assets	2,429	6,033	6,953	-	235
<b>Total Non-Current Assets</b>	<b>2,584</b>	<b>6,119</b>	<b>7,228</b>	<b>458</b>	<b>707</b>
<b>Total Assets</b>	<b>25,362</b>	<b>30,941</b>	<b>90,666</b>	<b>80,690</b>	<b>73,678</b>
<b>Current Liabilities</b>					
Trade And Other Payables	3,693	5,841	64,985	56,501	51,756
Provisions	140	-	-	-	0
Other liabilities	0	0	0	0	108
<b>Total Current Liabilities</b>	<b>3,833</b>	<b>5,841</b>	<b>64,985</b>	<b>56,501</b>	<b>51,864</b>
<b>Non-Current Liabilities</b>					
Deferred Tax Liabilities	726	1,136	-	-	1
Long-Term Borrowings	1,062	843	2,000	2,000	2,000
Provisions	-	-	-	-	0
Other liabilities	-	-	-	-	234
<b>Total Non-Current Liabilities</b>	<b>1,788</b>	<b>1,979</b>	<b>2,000</b>	<b>2,000</b>	<b>2,235</b>
<b>Total Liabilities</b>	<b>5,621</b>	<b>7,820</b>	<b>66,985</b>	<b>58,501</b>	<b>54,099</b>
<b>Net Assets</b>	<b>19,741</b>	<b>23,121</b>	<b>23,681</b>	<b>22,189</b>	<b>19,579</b>
<b>Equity</b>					
Issued Capital	8,438	11,438	11,438	11,438	11,438
Reserves	1,703	2,607	100	100	100
Retained Profits	9,600	9,076	12,143	10,651	8,041
<b>Total Equity</b>	<b>19,741</b>	<b>23,121</b>	<b>23,681</b>	<b>22,189</b>	<b>19,579</b>

Source: Audited financial statements

BBY Limited - Statement of Cash Flows					
\$'000	FY10	FY11	FY12	FY13	FY14
<b>Cash flow from operating activities</b>					
Receipts from customers	20,454	28,547	31,324	35,844	36,644
Payments to suppliers and employees	(21,216)	(29,915)	(38,696)	(35,733)	(42,385)
Interest received	218	598	1,587	2,357	1,451
Finance costs paid	(60)	(92)	(357)	(536)	(368)
<b>Net cash outflow from operating activities</b>	<b>(604)</b>	<b>(862)</b>	<b>(6,142)</b>	<b>1,932</b>	<b>(4,658)</b>
<b>Cash flow from investing activities</b>					
Net cash (outflow)/inflow for purchase/sale of investment securities	150	(2,380)	3,012	(28)	-
<b>Net cash (outflow)/inflow from investing activities</b>	<b>150</b>	<b>(2,380)</b>	<b>3,012</b>	<b>(28)</b>	<b>-</b>
<b>Cash flow from financing activities</b>					
Amount advanced (from)/to related parties	994	(677)	1,350	(425)	853
Proceeds from issue of share capital	-	3,000	-	-	-
<b>Net cash inflow from financing activities</b>	<b>994</b>	<b>2,323</b>	<b>1,350</b>	<b>(425)</b>	<b>853</b>
Net (decrease)/increase in cash held	540	(919)	(1,780)	1,479	(3,805)
Cash at the beginning of the financial year	6,719	7,259	6,340	4,560	6,039
<b>Cash at the end of the financial year</b>	<b>7,259</b>	<b>6,340</b>	<b>4,560</b>	<b>6,039</b>	<b>2,234</b>

Source: Audited financial statements