



Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”)

Replacement DIRRI

Pursuant to Section 436DA(5) of the Corporations Act 2001 (the “Act”)

27 May 2015

BBY Holdings Pty Limited (Receivers and Managers Appointed) ACN 075 187 432 (“BBYH”)
BBY Limited (Receivers and Managers Appointed) ACN 006 707 777 (“BBYL”)
BBY Advisory Services Pty Ltd (Receivers and Managers Appointed) ACN 102 761 008 (“AS”)
Broker Services Australia Pty Ltd) ACN 074 976 364 (“BSA”)
BBY Nominees Pty. Ltd. ACN 007 001 443
BBY Protection Nominees Pty. Ltd. ACN 007 001 710
Options Research Pty. Ltd. ACN 006 770 627
Tilbia Nominees Pty Ltd ACN 007 001 578
SmarTrader Limited ACN 115 752 102
BBY HomeTrader Pty Ltd ACN 134 838 207
(All Administrators Appointed) (the “Companies”)

We provided creditors with a DIRRI dated 20 May 2015, included in our first circular to creditors. Pursuant to Section 436DA(5) of the Act we have updated our DIRRI to reflect changed circumstances that have arisen during the voluntary administrations of the Companies (**Administrations**) to date. This Declaration will be tabled at the first meeting of creditors of the Companies and will be posted on the KPMG web page relating to the Administrations. This, or any subsequently updated DIRRI, will also be included in future correspondence with creditors and investors.

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including
 - i the circumstances of the appointment;
 - ii any relationships with the Insolvent and others within the previous 24 months;
 - iii any prior professional services for the Insolvent within the previous 24 months;
 - iv. that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

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

A. Independence

We, Stephen Vaughan and Ian Hall, of the KPMG Australia partnership (“KPMG Australia”), care of KPMG, 10 Shelley Street, Sydney, NSW 2000, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Companies in accordance with the law and applicable professional standards, in particular the Code of Professional Practice for Insolvency Practitioners published by the Australian Restructuring Insolvency and Turnaround Association, 3rd edition, effective 1 January 2014 (“the Code”).



This assessment identified no real or potential risks to our independence or any matter which results in our having a conflict of interest of duty. We are not aware of any reasons that would prevent us from accepting the appointments.

B. Declaration of Relationships

i) Circumstances of the Appointment

The above Companies are part of a wider corporate group (the “BBY Group”) including other entities that are not subject to external administration.

We and KPMG Australia had not had any prior involvement in this matter other than the following:

- In the week of 27 April 2015 members of KPMG’s audit practice met with BBYH Director, David Perkins and Managing Director, David Smith to discuss a forthcoming tender for the statutory audit of the BBY Group for the financial year of 2015.
- BBYH and BBYL issued a request, dated 4 May 2015, to a number of accounting firms for a proposal for provision of various audit and compliance services. On Thursday 7 May 2015 members of KPMG’s audit division met with Mr Perkins and discussed a possible secondment of an accounting resource to provide assistance in relation to certain internal accounting functions of the BBY Group for a period of one month. On Friday 8 May 2015, Mr Perkins emailed KPMG to confirm the secondment and it was agreed this should commence on 11 May 2015. As discussed further below, this secondment did not proceed and KPMG were not engaged as auditors.
- On Sunday 10 May 2015, a partner in KPMG’s audit division was contacted by Mr Smith advising that the business was in financial distress as a consequence of certain events in the preceding days, including a requirement to exit its Options clearing business, and that it may be placed into voluntary administration. The KPMG audit partner referred the matter to Carl Gunther a partner in KPMG’s Restructuring Services team.
- On Monday 11 May Carl Gunther and Stephen Vaughan of KPMG attended the BBY Group offices to ascertain further details and discussed the proposed scope of a solvency review. KPMG was engaged by BBYL, pursuant to an engagement letter dated 11 May 2015, to carry out the following scope of work:
 - A rapid high level assessment of the current and forecast financial position based on the records of the Companies and management’s short term cash flow forecast and assumptions;
 - An assessment of solvency of the Companies;
 - Providing commentary on the consequences of any possible insolvency and courses of action that may be available to the Companies in that event; and
 - Liaising with key stakeholders as necessary to gather information or confirm our role, including, among others, the Australian Stock Exchange, ASIC, the secured creditor, St. George Bank and its advisors, PPB Advisory.
- Our fee for this work was \$40,000 (plus GST), with funds paid into trust with Ashurst, on account of our future costs and expenses under our engagement with BBYL during the period to Friday 15 May 2015. Those funds have since been drawn in satisfaction of our fees and expenses. No issue arises under section 448C(1)(a) of the Act given that we are not and never have been a creditor of any of the Companies.



- During 5 days from Tuesday 12 May to Friday 15 May 2015 we worked to understand the nature and extent of issues facing the business and the financial implications. During our work we attended various meetings each day with staff, management and the external stakeholders mentioned above. We were also introduced to representatives of two parties who were understood to be interested in investing in the business, AIMS Financial Group (“AIMS”) and Bridge Global Capital Management Limited (HK) (“Bridge”) although we were not involved in negotiations.
- On the evening of Friday 15 May 2015, we understand that a memorandum of understanding was executed between BBYH and the two parties, AIMS and Bridge to take a controlling shareholding in BBYH and recapitalise the business with a planned initial contribution of \$3 million. This effectively brought our engagement to a conclusion.
- On the afternoon of Sunday, 17 May 2015 Stephen Vaughan received a call from Mr Smith advising that, following completion of some further due diligence during the weekend, AIMS and Bridge had requested amendments to the terms of the proposed investment and that negotiations were continuing. Mr Smith called Stephen Vaughan again on Sunday evening and advised that AIMS and Bridge had withdrawn from the proposed recapitalisation. Mr Smith advised that the Directors of the Companies planned to meet that evening to review solvency and consider the future of the Companies. He requested that Mr Vaughan attend the meeting.
- Concurrent meetings of the Companies were held at 11pm on 17 May 2015 at which time resolutions were passed appointing Stephen Vaughan and Ian Hall of KPMG as voluntary administrators of the Companies (**Administrators**).

These meetings and correspondence do not affect our independence for the following reasons:

- The need for potentially insolvent companies to seek prompt and appropriate advice about their financial position is emphasised by the law and by the Regulators. It is common for Practitioners to provide such advice or other information about the insolvency process and options available to a company prior to taking an Appointment. The work we carried out was over a relatively short period of 5 days and was confined to a specific scope of work which remained consistent with the preservation of our independence as prospective Administrators.
- The discussions were at all times factual in nature, focused on the historical and forecast financial position and performance of the Companies, the consequences of any possible insolvency and courses of action that may be available to the Companies in that event.
- The work undertaken during the solvency review engagement assisted us in developing an understanding of the business and its activities. Much of the investigatory work undertaken was work that we would have needed to undertake in order to be able to report to creditors under s439A of the Act. As such, this information will be made available to creditors when we report to them in due course.
- We did not provide any report to the Companies. We do not consider the nature of the work performed is such that it would be subject to review and challenge during the course of the Administrations. The engagement will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the Administrations of the Companies in an objective and impartial manner.
- Neither KPMG nor the Administrators provided advice to directors of the Companies in their personal capacity. We understand the directors have sought their own legal advice.



ii) Relevant Relationships (excluding Professional Services to the Insolvent)

We, or a member of our Firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why no conflict of interest or duty
Westpac Banking Corporation and St George Bank Australia (“Westpac”)	<p>Westpac has a registered security interest over the whole, or substantially whole, of the property of the following four entities in the group of Companies.</p> <ol style="list-style-type: none"> 1. BBY Holdings Pty Limited 2. Broker Services Australia Pty Ltd 3. BBY Limited 4. BBY Advisory Pty Limited <p>KPMG Australia has an ongoing business relationship with Westpac. KPMG has provided Tax, Advisory and other non-audit services to Westpac and/or their international affiliates.</p>	<p>There are no matters of which we are aware which give rise to a conflict in this appointment.</p> <p>Each professional engagement undertaken for Westpac is conducted on an entirely separate basis and has no bearing on this appointment.</p> <p>Neither KPMG nor the administrators have been, or will be, engaged by Westpac in relation to the affairs of the Companies. Westpac has appointed receivers and managers to three of the Companies, who represent Westpac’s interests.¹ Westpac will be treated as a secured creditor during the Administrations and we will continue to liaise with them during the Administrations.</p> <p>This relationship is not one that will have any impact on the performance of our statutory and fiduciary duties associated with the Administrations in an objective and impartial manner.</p>
ABN Amro Clearing Sydney Pty Limited (“ABN”)	<p>ABN has a registered security interest over the assets in the following two entities in the group of Companies:</p> <ol style="list-style-type: none"> 1. BBY Limited 2. Jaguar Funds Management PL <p>KPMG Australia has an ongoing business relationship with ABN. KPMG has provided external financial audit services to ABN and/or their international affiliates.</p>	<p>There are no matters of which we are aware which give rise to a conflict in this appointment.</p> <p>Each professional engagement undertaken for ABN is conducted on an entirely separate basis and has no bearing on this appointment.</p> <p>Neither KPMG nor the Administrators have been, or will be, engaged by ABN in relation to the affairs of the Companies. ABN will be treated as a secured creditor during the Administrations.</p> <p>This relationship is not one that will have any impact on the performance of our statutory and fiduciary duties associated with the Administrations in an objective and impartial manner.</p>

¹ Mr Stephen Parbery and Mr Brett Lord of PPB Advisory were appointed as receivers and managers to BBYH, BBYL, AS and BSA on 18 May 2015. They retired from BSA on 20 May 2015 and remain appointed to the other three Companies as receivers and managers.

Name	Nature of relationship	Reasons why no conflict of interest or duty
<p>Konica Minolta Business Solutions Australia Pty Ltd ("Konica")</p>	<p>Konica has a registered security interest over the assets of BBY Limited.</p> <p>KPMG Australia has an ongoing business relationship with Konica. KPMG has provided external financial audit services to Konica and/or their international affiliates.</p>	<p>There are no matters of which we are aware which give rise to a conflict in this appointment.</p> <p>Each professional engagement undertaken for Konica is conducted on an entirely separate basis and has no bearing on this appointment.</p> <p>Neither KPMG nor the Administrators have been, or will be, engaged by Konica in relation to the affairs of the Companies. Konica will be treated as a secured creditor during the Administrations.</p> <p>This relationship is not one that will have any impact on the performance of our statutory and fiduciary duties associated with the Administrations in an objective and impartial manner.</p>
<p>Credit Suisse Holdings (Australia) Limited ("Credit Suisse")</p>	<p>Credit Suisse has a registered security interest over the assets of BBY Limited.</p> <p>KPMG Australia has an ongoing business relationship with Credit Suisse. KPMG has provided external financial audit services to Credit Suisse and/or their international affiliates.</p>	<p>There are no matters of which we are aware which give rise to a conflict in this appointment.</p> <p>Each professional engagement undertaken for Credit Suisse is conducted on an entirely separate basis and has no bearing on this appointment.</p> <p>Neither KPMG nor the Administrators have been, or will be, engaged by Credit Suisse in relation to the affairs of the Companies. Credit Suisse will be treated as a secured creditor during the Administrations.</p> <p>This relationship is not one that will have any impact on the performance of our statutory and fiduciary duties associated with the Administrations in an objective and impartial manner.</p>

Name	Nature of relationship	Reasons why no conflict of interest or duty
<p>Macquarie Leasing Pty Ltd</p>	<p>Macquarie Leasing Pty Ltd has a registered security interest over the assets of BBY Limited.</p> <p>KPMG Australia has not directly performed services for Macquarie Leasing Pty Ltd. However KPMG has an ongoing business relationship with the wider Macquarie banking group through the provision of Tax, Advisory and other non-audit services.</p>	<p>There are no matters of which we are aware which give rise to a conflict in this appointment.</p> <p>Each professional engagement undertaken for the Macquarie banking group is conducted on an entirely separate basis and has no bearing on this appointment.</p> <p>Neither KPMG nor the Administrators have been, or will be, engaged by Macquarie Leasing Pty Ltd in relation to the affairs of the Companies. Macquarie Leasing Pty Ltd will be treated as a secured creditor during the Administrations.</p> <p>This relationship is not one that will have any impact on the performance of our statutory and fiduciary duties associated with the Administrations in an objective and impartial manner.</p>
<p>AIMS Group Financial Holding Pty Ltd (“AIMS Group”)</p>	<p>KPMG Australia has provided external financial audit services to the following companies in the AIMS Group:</p> <ul style="list-style-type: none"> AIMS Fund Management Limited AIMS Real Estate Funds Limited Asia Pacific Exchange Limited Asia Pacific Exchange Limited Fidelity Fund AIMS Home Loans Pty Limited AIMS Securitisation Pty Limited AIMS Warehouse Trust No.1, AIMS 2004-1Trust, AIMS 2005-1 Trust, AIMS 2007-1 Trust AIMS Property Securities Fund AIMS Commercial Mortgage Fund MacarthurCook Diversified Property Income Fund MacarthurCook Property Securities Fund MacarthurCook Mortgage Fund MacarthurCook Office Property Trust CWH Australia Trust <p>There are other companies in the AIMS Group which KPMG does not audit. Total fees received in the last 2 years by KPMG from AIMS Group entities has been \$371,000.</p>	<p>Commentary in relation to AIMS has been updated and discussed further below.</p> <p>Each professional engagement undertaken for the AIMS Group is conducted on an entirely separate basis and has no bearing on this appointment.</p> <p>Neither KPMG nor the Administrators have been, or will be, engaged by AIMS Group in relation to the affairs of the Companies.</p> <p>This relationship is not one that will have any impact on the performance of our statutory and fiduciary duties associated with the Administrations in an objective and impartial manner.</p>



Updated Circumstances – AIMS Group

Since our appointment, we have liaised with representatives of the AIMS Group in respect of a prospective sale and recapitalisation of the Companies via the voluntary administration process. We and the AIMS Group have had independent legal advice throughout those discussions and have dealt at arms' length with each other.

In the course of our discussions with AIMS Group, AIMS Group Financial Service Pty Ltd (AFG) made a limited recourse loan of \$500,000 to Stephen Vaughan in his capacity as Administrator for the specific purpose of funding wages and other costs and expenses that may be incurred during the week following the appointment of the Administrators and to allow time for a possible sale agreement to be agreed. The limited recourse loan also permitted a capped amount of remuneration to be funded up to \$100,000, with remuneration being subject to approval in accordance with the Act.

At the time of this updated DIRRI, sale negotiations are continuing between AIMS, the receivers and managers and the Administrators, and AIMS has indicated that it is considering whether it may propose a Deed of Company Arrangement in respect of some of the Companies.

There are no other prior professional or personal relationships that should be disclosed.

We do not believe these relationships give rise to us having a conflict of interest or being unable to act as Administrators of the Companies. If information should come to light at a future point during the course of the Administrations, which has the potential to affect our independence as administrators of the Companies, whether in relation to KPMG's relationship with the AIMS Group or another matter, we would undertake a full analysis of the circumstances to determine whether the relationship or threat is one that could have precluded the acceptance by us of our appointment.

If following that analysis we concluded that the circumstances at issue would not have precluded our acceptance of the appointment, we would continue with the Administrations subject to amending this DIRRI and disclosing the full circumstances to the Companies' creditors.

If we were to conclude that the circumstances could have precluded our acceptance of the appointment, then as soon as practicable after the circumstances or facts were identified we would prepare and deliver a report to creditors (disclosed also to ASIC and ARITA) setting out:

- the nature of the circumstances, including the key facts and origin, the reasons why the issue was not detected prior to acceptance of the Appointment, and the potential impact on our independence or our perceived independence;
- the status of the Administrations – work done, work in progress and work to complete the Administrations;
- our estimated costs of stepping down and transferring the Appointment; and
- remuneration drawn and accrued subject to the approval of creditors.

In such circumstances, and where the Administrations were substantially complete or we consider that our replacement as administrators was not in the interests of the Companies' creditors, we would apply to the Court for leave to continue and complete the Administrations.



If the Administrations were not substantially complete at that time, or our replacement would be in the interests of the Companies' creditors, we would seek a consent from suitable replacement administrators and seek our replacement as administrators by Court order, disclosing the full particulars to creditors by a circular or report.

iii) Prior professional services to the Insolvent

Neither Stephen Vaughan or Ian Hall, or KPMG Australia, or a related party covered by the extended definition of firm, have provided any professional services to the Companies in the previous 24 months or prior period with the exception of the solvency review conducted over 5 days between 11 May and 15 May 2015.

iv) Group Company Appointments

We have been appointed as Administrators to 10 entities (the Companies) within the BBY Group. BBYH was the holding company and BBYL was the main trading entity. It appears the majority of business activity was conducted through BBYL. The other entities over which we have been appointed are subsidiaries of either BBYH or BBYL.

It is not uncommon for a practitioner to be appointed to a group of related companies and there are sound commercial and practical reasons for an appointment of this nature. However there can be circumstances where possible conflicts could arise as a result of group appointments, such as preference payments between the Companies, other voidable or contestable transactions, insolvent trading liabilities of the parent company and contentious proofs of debt. The financial information available to us at the time of appointment was very limited due to the state of available records. At the time of our appointment, we were not aware of any conflicts of interest between the Companies.

We believe that the multiple appointments do not result in a conflict of interest or duty because we have obtained and reviewed further information since our appointment and have not identified any issues that may present a conflict. We believe that the Administrations should be conducted by one practitioner and that this will lead to efficiencies in the orderly resolution of the Companies' estates and as such is in the interests of creditors. Should such a conflict arise, we will keep creditors informed and take appropriate action to resolve the conflict.

v) No other relevant relationships to disclose

There are no other known relevant relationships of the Administrators, including personal, business and professional relationships, from the previous 24 months with the Companies, an associate of the Companies, a former insolvency practitioner appointed to the Companies or any person or entity that has a charge on the whole or substantially whole of the Companies' property that should be disclosed.

C. Indemnities and up-front payments

We have not been indemnified in relation to the Administrations, other than any indemnities that we may be entitled to under statute and, other than the limited funding from AIMS described above, we have not received any payments in respect of our remuneration or disbursements.

Dated: 27 May 2015



.....
Stephen Vaughan
Joint and Several Administrator



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Ian Hall
Joint and Several Administrator

Note:

1. If circumstances change, or new information is identified, I am/we are required under the Corporations Act 2001 and ARITA's Code of Professional Practice to update this Declaration and provide a copy to creditors with my/our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI 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.