

17 April 2019

**To Creditors**

Dear Sir/Madam

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

We refer to our Voluntary Administrators' Report to Creditors dated 12 March 2019 (**Administrators' Report**).

At the meeting of creditors held on 20 March 2019, creditors resolved that the Company be wound up under Section 439C(c) of the Corporations Act 2001 (**the Act**) and Phil Quinlan, Stewart McCallum and I were appointed Liquidators of the Company.

The purpose of this letter is to provide you with information about the liquidation of the Company and your rights as a creditor. In this regard, we enclose the following documents:

Annexure	Document	Description
A	Proof of Debt form	Refer to section 6 of this letter
B	Information sheet – creditors rights in liquidation	Refer to section 7 of this letter
C	Initial remuneration notice	Refer to section 8 of this letter
D	Summary of affairs of a company (Form 509)	Refer to section 9 of this letter

**1 Declaration of independence, relevant relationships and indemnities**

A copy of our Declaration of Independence, Relevant Relationships and Indemnities (**DIRRI**) was provided to creditors with our first circular dated 26 November 2018 during the Voluntary Administration.

Subsequent to our appointment as Voluntary Administrators of Halifax New Zealand Limited (In Liquidation), we then prepared an updated DIRRI and lodged with ASIC on 27 November 2018. The replacement DIRRI was tabled at the first meeting of creditors held on 5 December 2018 and is available on the Ferrier Hodgson website ([www.ferrierhodgson.com](http://www.ferrierhodgson.com)).

**2 Operations**

The Liquidators are continuing to maintain the trading platforms, IT infrastructure, and office operations on a limited basis to:

- Respond to queries from investors in relation to accounts (e.g. requests for tax statements);
- Allow investors to close out any remaining open positions; and
- Ensure an efficient adjudication and timely distribution of investor entitlements following the receipt of Court directions.

All investor accounts have been switched to 'Close Only' mode – i.e. it is not possible to enter into new positions, nor is it possible to withdraw money from investor accounts, however it is possible to close out current positions.

All instructions and authorities for purchasing in place with suppliers during the Voluntary Administration will remain effective until further notice.

#### 2.1 Contracts / agreements

The Liquidators expressly refrain from personally adopting any of the Company's contracts existing at the date of their appointment.

### 3 Legal proceedings

The appointment of Liquidators stays a proceeding in a court against the Company. You cannot commence or continue a proceeding against the Company without our written consent or the leave of the Court.

### 4 Employees

We have written separately to employees regarding our appointment.

### 5 Investigations

As advised in Section 11 of the Administrators' Report, our investigations have identified the following:

- The director and former director of the Company may have breached their obligations under Section 180 to 184 of the Act;
- Halifax may have breached its obligations in relation to the ASIC Client Money Rules and Section 981B of the Act;
- There may be potential claims against external advisors for misstatement of accounts and/or failure to report misconduct; and
- Recoveries may be available in respect of antecedent transactions and insolvent trading.

The Liquidators are progressing the above potential claims and will provide creditors with an update report within three months from the date of our appointment as Liquidators.

### 6 Estimated outcome for creditors and investors

As advised in our Administrators' Report, we estimate that a dividend of approximately **85 to 95 cents** in the dollar will be payable to investors in their capacity as beneficiaries with an entitlement to claim trust monies.

**This estimate is preliminary only and may be subject to revision. In particular, it may be impacted by any market movement in the value of open positions and the Court's determination on any appropriate pooling and the date to value investor claims.**

Given the deficiency in investor funds, it appears that there is likely to be a shortfall to investors from trust assets. Investors will have an unsecured claim in the Company in the event of a shortfall in trust assets, however, any return to unsecured creditors is contingent on future recoveries of Company assets, including potential voidable transactions, together with any future Court directions in relation to the allocation of costs to these assets.

Please refer to the Administrators' Report which is available on the Ferrier Hodgson website ([www.ferrierhodgson.com](http://www.ferrierhodgson.com)) for further information.

Creditors and investors who have already lodged a Proof of Debt during the Voluntary Administration are **not required** to lodge another Proof of Debt.

**If you have not received a Proof of Debt to date, please complete the Proof of Debt at Annexure A (include your HRN code and account number) and submit to Link Market Services by email at [halifax@linkmarketservices.com.au](mailto:halifax@linkmarketservices.com.au).**

## 7 Creditor rights

Enclosed at **Annexure B** is an information sheet setting out your rights as a creditor in the liquidation of the Company, including:

- Making reasonable requests for a meeting or information;
- Giving directions to the Liquidator; and
- Appointing a reviewing Liquidator or replacing the Liquidator.

## 8 Liquidators' remuneration and fee estimate

In accordance with the Initial Remuneration Notice (**IRN**) provided to creditors during the Voluntary Administration, the Liquidators' remuneration will also be fixed on the basis of time spent by the Liquidators and the Liquidators' staff of an appropriate level having regard to the nature and complexity of the work and calculated by reference to the hourly rates set out in that IRN. Enclosed at **Annexure C** is a copy of the Liquidators' Initial Remuneration Notice.

However, as advised in the Administrators' Report, the Liquidators are a trustee in respect of client segregated monies that clients are entitled to. As trustee, the Liquidators are not entitled to withdraw any money from the client segregated monies and trust accounts in respect of their costs of administering the client monies without an order to that effect.

To date, the Liquidators have not drawn any amount from trust monies in respect of remuneration.

Our investigations to date indicate that, absent significant recoveries elsewhere, it will be necessary for the Liquidators to seek an order of the Court that the Administrators' and Liquidators' remuneration and the costs and expenses incurred in the exercise of determining client entitlements to trust monies are met from the funds held in the trust accounts.

Please refer to Section 5 of the Administrators' Report for further information.

An information sheet concerning approval of remuneration in external administrations can be obtained from ASIC at [www.asic.gov.au](http://www.asic.gov.au).

## 9 Summary of affairs of a company

Enclosed at **Annexure D** is a summary of the affairs of the Company as at 23 November 2018 completed by the Liquidators which discloses the Administrators' and Liquidators' estimated realisable value of the assets and liabilities disclosed in the director's Report of the Company Activities and Property (**ROCAP**).

Please refer to Section 7 of the Administrators' Report for further information regarding the ROCAP.

## 10 Next steps

Since the Company was placed in liquidation, the Liquidators have conducted further tracing and testing of client entitlements and have commenced preparation of the application to Court for directions in relation to pooling. The Liquidators anticipate that the application will be filed with the Court by late May 2019, being 60 days from the date the Company was placed in liquidation (as previously foreshadowed in the Administrators' Report).

As advised in the Administrators' Report, we will continue to conduct the following in the liquidation:

- Complete further investigations into the affairs of the Company;
- Make an application to Court for directions in relation to pooling;
- Make an application to Court for directions with respect to:
  - Distributions from client trust monies including in relation to entitlements of clients; and
  - Costs and expenses of and associated with making such distributions.
- Pending it being deemed appropriate to do so and any directions and orders from the Court, we may seek to make an interim distribution to investors as soon as possible;
- Continue the investigation and potential pursuit of antecedent transaction recoveries and other actions and litigation for the benefit of creditors; and
- Continue ongoing investigations and report to the relevant authorities (including ASIC).

We will write to you within 3 months from the date of our appointment to advise the outcome of our investigations and provide an update on the liquidation process.

## 11 Further information

Future information will be provided via updates to the Ferrier Hodgson website, along with emails and circulars to creditors and investors.

We recommend that you refer to the Ferrier Hodgson website from time to time ([www.ferrierhodgson.com](http://www.ferrierhodgson.com)).

In addition, you can access general information about external administrations and insolvency from ARITA's website at [www.arita.com.au](http://www.arita.com.au).

Questions regarding the liquidation should be directed to Link Market Services on:

- **Phone:** 1300 910 051 (within Australia) +61 1300 910 051 (from overseas)
- **Email:** [halifax@linkmarketservices.com.au](mailto:halifax@linkmarketservices.com.au)

Yours faithfully

**Halifax Investment Service Pty Ltd**



**Morgan Kelly**  
Liquidator

Encl

**Annexure A**

# LINK INSOLVENCY SOLUTIONS – PROOF OF DEBT (POD) OR CLAIM FORM

PLEASE BRING A COPY OF THIS FORM WITH YOU FOR FASTER REGISTRATION AT THE CREDITORS MEETINGS

All forms returned to:  
 Link Market Services Limited  
 PO Box 3184  
 Rhodes NSW 2138  
 Facsimile: +61 2 9287 0309  
 Client Code: HISI  
 Email: [halifax@linkmarketservices.com.au](mailto:halifax@linkmarketservices.com.au)  
 Creditor Queries (within Australia): 1300 910 051  
 Creditor Queries (Overseas): +61 1300 910 051

## CREDITOR DETAILS

Full Name of Company or Individual


Contact Telephone Number

Registered Address


Email Address


**Creditors who have already lodged a proof of debt do not need to complete a new proof of debt unless an amendment is required**

## PROOF OF DEBT (POD) OR CLAIM FORM 535 CORPORATIONS ACT (SUB REGULATION 5.6.49(2))

I am an employee of the indebted company     I am a creditor     I am a secured creditor

**A**

## INDEBTED COMPANY DETAILS

Halifax Investment Services Pty Ltd (Administrators Appointed) ACN 096 980 522

Total indebted amount (this must be completed):

A\$ , ,  .

**B**

## SECURED CREDITORS ONLY

Please detail what security you hold and attach all relevant documentation.


Please state the value (this must be completed for secured claims only):

A\$ , ,  .

**C**

## ELECTRONIC COMMUNICATIONS

Pursuant to Regulation 5.6.11A of the Corporations Regulations 2001, creditors may elect to receive notices and documents prescribed by the *Corporations Act 2001* by electronic means.

I hereby authorise Link to send all communications electronically including notices, reports and any statements.

Email Address

**D**

## DOCUMENTATION

I have attached the following documentation to substantiate the consideration claim (tick as many as appropriate). If you are in employment of the creditor or an agent, you must provide proof of your authority from the creditors so that this POD is not rejected.

- I am in the employment of the creditors and duly authorised in writing by the creditor to make this statement and it is within my knowledge that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.
- I am the creditor's agent duly authorised in writing to make this statement in writing and it is within my knowledge that the debt was incurred and for the consideration stated and that debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

I have attached the following documents (tick as many as appropriate):

- Invoices     Judgement from Court     Orders from company     Guarantee from company     Other documents
- Monthly Statements     Letters of Demand     Statutory Demand     Credit Application     Creditor's authority letter

**E**

## SIGN HERE (All Creditor(s) must sign)

Creditor 1 (Individual)/Agent 1

Creditor 2 (Individual)/Agent 2

Date

 /  / 

**F**

## NOTES

- NOTE 1 A creditor may not vote on any contingent debt, and unliquidated claim or a debt the value of which is not ascertained unless a just estimate or its value has been made.
- NOTE 2 A secured creditor who votes in favour of a Deed of Company Arrangement may affect its right to act under that security. Legal advice should be sought if you are unsure in this regard.
- NOTE 3 This Proof should be signed by a creditor or a person in the employ of the creditor duly authorised by that creditor to sign. If a creditor is a company, it should be signed by a person authorised under the Seal of the Company, to make a Proof of Debt on its behalf. The Chairman of the Meeting may admit or reject a Proof of Debt for the purpose of voting at the meeting.
- NOTE 4 The indebted amount has to be completed in order for your claim to be recorded and considered for the Practitioner's adjudication. Failure to do so will mean that the POD cannot be recorded.
- NOTE 5 If returning the forms by post, please always consider using the appropriate postage stamp on your reply/return envelope to ensure that the forms are received by Link in a timely manner.
- NOTE 6 For further details about Link Group's personal information handling practices, visit our website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement.
- NOTE 7 This form must reach Link by the proxy cut off time to be processed.

Annexure B

## Creditor Rights in Liquidations

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



### Right to request a meeting

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

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

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

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

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

### Right to request information

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

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

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

**Requests must be reasonable. They are not reasonable if:**

Both meetings and information:

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

Meeting requests only:

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

Information requests only:

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

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

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

## Right to give directions to liquidator

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

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

An individual creditor cannot provide a direction to a liquidator.

## Right to appoint a reviewing liquidator

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

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

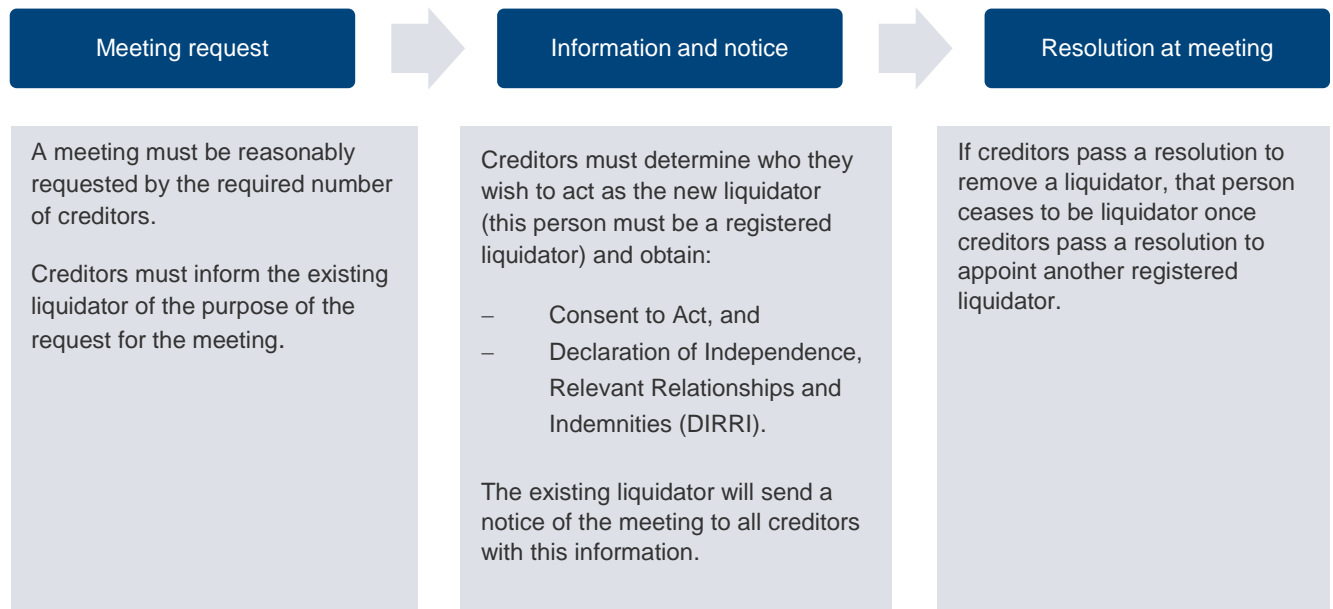
The cost of the reviewing liquidator is paid from the assets of the liquidation, in priority to creditor claims.

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

## Right to replace liquidator

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

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





**Annexure C**

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

**Initial Remuneration Notice**

The purpose of the Initial Remuneration Notice is to provide you with information about how the Liquidators' remuneration for undertaking the liquidation will be set.

**1 Remuneration methods**

There are four basic methods that can be used to calculate the remuneration charged by an Insolvency Practitioner as follows:

**1.1 Time based (hourly rates)**

This is the most common method. The total fee charged is calculated by reference to the hourly or time unit rate charged for each person who carries out the work multiplied by the number of hours spent by each person on necessary work properly performed.

**1.2 Fixed fee**

The total fee charged is normally quoted at the commencement of the liquidation and is the total cost for the liquidation. Sometimes, a practitioner will finalise a liquidation for a fixed fee.

**1.3 Percentage**

The total fee charged is based on a percentage of a particular variable such as the gross proceeds of asset realisations.

**1.4 Contingency**

The insolvency practitioner's fee is contingent on achieving a particular outcome.

**2 Remuneration method chosen**

Given the nature of this administration, we propose that the remuneration of the Liquidators be calculated using the time based method. Time based remuneration is appropriate in this liquidation given:

- It ensures actual time is billed at an hourly rate applicable to staff experience;
- It ensures that remuneration claimed is only for necessary work properly performed in the liquidation;  
and
- It covers tasks required to be undertaken in the liquidation which not only relate to asset realisations but also to reporting requirements and other tasks of an administrative or statutory nature.

**3 Explanation of hourly rates**

The hourly rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the liquidation and the role they take. The hourly rates encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Rate \$/hour	Experience
Partner / Appointee	\$695	The Partner / Appointee is a registered liquidator and member of CAANZ and, generally, ARITA, bringing specialist skills to the liquidation or insolvency task. For specific experience and other details of the appointee(s), please visit our website at <a href="http://www.ferrierhodgson.com">www.ferrierhodgson.com</a> .
Executive Director	\$650	The Executive Director is a registered liquidator and member of CAANZ and, generally, ARITA, bringing specialist skills to the liquidation or insolvency task.
Director	\$625	Generally, minimum of 12 years' experience at least 2 years of which is to be at Manager level. University degree; member of CAANZ and, generally, ARITA, with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	\$575	Generally, more than 7 years' experience with at least 2 years as a Manager. University degree; member of CAANZ and, generally, ARITA; very strong knowledge of relevant insolvency legislation and issues.
Manager	\$525	Generally, 5 to 7 years' chartered accounting or insolvency management experience. University degree; member of CAANZ and, generally, ARITA; sound knowledge of relevant insolvency legislation and issues.
Assistant Manager	\$475	Generally, 4 to 6 years' chartered accounting or insolvency management experience. University degree; member of CAANZ; completing ARITA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior Analyst	\$425	Generally, 2 to 4 years' chartered accounting or insolvency management experience. University degree; completing CAANZ's CA program. Good knowledge of basic insolvency legislation and issues.
Analyst	\$375	Generally, 2 to 3 years' chartered accounting or insolvency management experience. University degree, CAANZ's CA program commenced.
Accountant	\$325	0 to 2 years' experience. Has completed or substantially completed, on a part-time basis, a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Junior Accountant	\$225	0 to 1 years' experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Personal / Team Assistant	\$250	Appropriate skills including machine usage.
Accounts Supervisor / Assistant	\$225	Generally non-qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.
Administration Supervisor / Assistant	\$175	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

**Notes:**

- The hourly rates are exclusive of GST.
- The guide to staff experience is intended only as a general guide to the qualifications and experience of staff engaged in the liquidation. Staff may be engaged under a classification considered appropriate for their experience.
- Time is recorded and charged in six-minute increments.
- Creditor approval will be sought prior to the application of any new rates to this liquidation.

**4 Estimated remuneration and disbursements**

We estimate fees and disbursements for the liquidation of the Company to be between \$2.2m to \$3.3m (excluding GST).

However, as advised in the Administrators' Report, the Liquidators are a trustee in respect of client segregated monies that clients are entitled to. As trustee, the Liquidators are not entitled to withdraw any money from the client segregated monies and trust accounts in respect of their costs of administering the client monies without an order to that effect.

To date, the Liquidators have not drawn any amount from trust monies in respect of costs or remuneration.

Our investigations to date indicate that, absent significant recoveries elsewhere, it will be necessary for the Liquidators to seek an order of the Court that the Administrators' and Liquidators' remuneration and the costs and expenses incurred in the exercise of determining Client entitlements to trust monies are met from the funds held in the trust accounts.

**5 Disbursements**

Disbursements are divided into three types:

- Externally provided professional services. These are recovered at cost. An example is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the liquidation, would generally be charged at cost; although if a data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room or the number of users per month. Certain services provided by Ferrier Hodgson may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting).

We are not required to seek creditor approval for disbursements paid to third parties, but must account to creditors. However, we must ensure that these disbursements are appropriate, justified and reasonable.

We are required to obtain creditor's consent for the payment of internal disbursements where there may be a profit or advantage. Creditors will be asked to approve our internal disbursements prior to these disbursements being paid from the liquidation.

Details of the basis of recovering disbursements in this administration are provided below:

Disbursement type	Charges (excl GST)
Advertising	At cost

Disbursement type	Charges (excl GST)
ASIC industry funding model levy – metric events	At prescribed ASIC rates
Couriers	At cost
Data room set-up	\$450.00
Data room hosting – Option A	Variable – see separate table below
Data room hosting – Option B (incl 100GB of data)	\$84.95 per user per month
eDiscovery services	Variable
Photocopying / printing (colour)	\$0.50 per page
Photocopying / printing (mono)	\$0.20 per page
Photocopying / printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Staff travel reimbursement	Up to \$100/day
Staff vehicle use	At prescribed ATO rates
Storage and storage transit	At cost
Telephone calls	At cost

*Note: Above rates are applicable for the financial year ending 30 June 2019. Disbursements charged at cost do not require creditor approval.*

Data room hosting fees by size (MB)	Charges per month (excl GST)
0-300	\$950
300-1000	\$950 + \$2.50/MB
1000-5000	\$2,500 + \$1.25/MB
5000+	\$7,500 + \$0.60/MB

Dated this 17<sup>th</sup> day of April 2019



**Morgan Kelly**  
Liquidator

**Annexure D**

registered agent number  
 lodging party or agent name Ferrier Hodgson  
 address GPO Box 4114, SYDNEY NSW 2001  
 telephone 02 9286 9999  
 facsimile 02 9286 9888  
 DX number

Australian Securities and Investments Commission  
 Presentation of

form **509**  
 Corporations Act 2001

**Summary of affairs of a company**

497(1)(a)(i)

corporation name Halifax Investment Services Pty Ltd

ACN or ARBN 096 980 522

**Summary of assets and liabilities**

date to which summary is made up (d/m/y) 23 / 11 / 2018

	valuation (show whether cost or net book amount)	estimated realisable values	estimated realisable values
		(Low)	(High)
	\$	\$	\$
1 assets not specifically charged			
(a) interest in land	-	-	-
(b) sundry debtors	1,337,000	-	495,000
(c) cash on hand	-	-	-
(d) cash at bank	2,459,000	2,210,000	2,486,000
(e) stock as detailed in inventory	-	-	-
(f) work in progress as detailed in inventory	-	-	-
(g) plant and machinery as detailed in inventory	424,000	-	10,000
(h) other assets	43,000	71,000	71,000
(i) property on trust	148,910,000	144,718,00	144,718,000
(j) Investments	185,000	-	-
2 Assets subject to specific charges less amounts owing	-	-	-
<b>TOTAL assets</b>	<b>\$153,358,000</b>		

	valuation (show whether cost or net book amount)	estimated realisable values	estimated realisable values
	\$	(Low) \$	(High) \$
<b>TOTAL estimated realisable values</b>		<b>146,999,000</b>	<b>147,780,000</b>
3 less amounts payable in advance of secured creditor(s) including employee entitlements	220,000	290,000	290,000
4 less amounts owing and secured by debenture or circulating security interests over assets	-	-	-
5 less preferential creditors ranking behind creditors	-	-	-
6 balances owing to partly secured creditors			
<b>total claims</b>	<b>\$0</b>		
<b>security held</b>	<b>\$0</b>		
7 creditors (unsecured)			
amount claimed	838,000	1,013,000	1,013,000
8 Add contingent assets estimated to produce	-	-	-
9 contingent liabilities estimated to rank for	164,440,000	166,763,000	166,763,000
estimated deficiency/surplus	<u>(12,140,000)</u>	<u>(21,066,000)</u>	<u>(20,286,000)</u>
(subject to costs of administration/liquidation)			
<b>share capital \$</b>	<b>951,766</b>		
<b>Issued \$</b>	<b>3,048,777</b>		
<b>paid up \$</b>	<b>3,048,777</b>		

(if insufficient space) Further details are enclosed in the annexure marked ( ) of ( ) pages.

**Signature**

This form must be signed by a director, secretary or liquidator.

**Print name** Morgan Kelly

**Capacity** Liquidator

**Sign here**



Date 17/04/2019

## 7 Report on company activities and property and director's reasons for failure (ROCAP)

This section provides a summary of the report on company activities and property submitted by the Director, together with the Director's explanation for the reasons for failure of the Company.

Key takeaways	Ref.
1 The Director's <b>ROCAP discloses a deficiency of \$12.3 million</b> . In our view the deficiency in Client funds is estimated to be <b>\$19.7 million and the overall company deficiency is estimated to be up to \$21 million as at the date of appointment</b> (before costs).	7.1
2 The Director has advised that the <b>migration from Saxo to the MT5 platform and a change in the win/loss ratio</b> for Chinese Investors were the <b>main reasons for the failure of Halifax</b> .	7.2
3 The Administrators' consider that the primary reasons for the failure of Halifax were poor financial management, trading losses and expansion into China.	7.3

### 7.1 Report on company activities and property

Section 438B of the Act requires the Director to give an administrator a ROCAP about the Company's business, property, affairs and financial circumstances.

We received the Director's ROCAP on 21 December 2018.

In the ROCAP, the Director detailed the Company's assets and liabilities at book value and ERV. We note that the Director also **included Client equity positions and assets held on trust in relation to Halifax NZ. We have excluded these amounts for the purposes of our analysis of the ROCAP.**

The Administrators have not audited the Company's records or the book values. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Director's ROCAP does not distinguish between trust and company assets, or between trust beneficiaries or unsecured creditors.
- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The figures in the table below are before costs and exclude any recoveries.

Further detail on the estimated return to creditors from the Administration is contained in **Section 13**.

The following table summarises the assets and liabilities disclosed in the Director's ROCAP:



\$000s	Ref	Book Value	Director's ERV	Administrators' ERV Low	Administrators' ERV High
<b>Assets</b>					
Cash at bank	7.1.1	2,459	2,459	2,210	2,486
Debtors	7.1.2	1,337	1,337	-	495
Plant & equipment	7.1.3	424	246	-	10
Property on trust	7.1.4	148,910	148,910	144,718	144,718
Investments	7.1.5	185	185	-	-
Other assets	7.1.6	43	43	71	71
<b>Total assets</b>		<b>153,358</b>	<b>153,180</b>	<b>146,999</b>	<b>147,780</b>
<b>Liabilities</b>					
Employee claims	7.1.7	220	219	290	290
Unsecured creditors	7.1.8	838	838	1,013	1,013
Contingent claims	7.1.9	164,440	164,440	166,763	166,763
<b>Total liabilities</b>		<b>165,498</b>	<b>165,497</b>	<b>168,066</b>	<b>168,066</b>
<b>Estimated deficiency</b>		<b>(12,140)</b>	<b>(12,317)</b>	<b>(21,066)</b>	<b>(20,789)</b>

## Notes

### 7.1.1 Cash

The Company held non-trust accounts with the following institutions as at the date of appointment. The below summary does not include cash held in Section 981B Accounts.

Bank	Account type	ROCAP Amount \$000s	Administrators ERV High \$000s
ANZ/NAB/Bankwest	Company accounts	583	600
BankWest	Term deposit (solvency guarantee)	1,600	1,610
BankWest	Term deposits (other)	276	276
<b>Total</b>		<b>2,459</b>	<b>2,486</b>

The BankWest term deposit in the amount of \$1.6 million supported the financial solvency guarantee for Halifax's AFSL required by ASIC. On 25 January 2019, the Court granted an Order that the Company was able to utilise the term deposit in payment of trading expenses, administration costs (excluding Administrators' remuneration and legal

fees) and any further reasonable and necessary trading expenses incurred by Halifax. Further information in relation to this application is at **Section 8.3**.

The ROCAP term deposits in the amount of \$0.3 million which support bank guarantees held by the landlords of the Sydney and Auckland offices. It is not known at this stage whether these amounts are recoverable.

The balances of the funds in the Bankwest, NAB and ANZ accounts have been realised by the Administrators.

### 7.1.2 Debtors

The ROCAP discloses total Director loans of \$0.2 million owed equally by the Director and Former Director in the amount of \$0.1 million respectively.

On 8 March 2019, we issued correspondence to the Director demanding repayment of the loan accounts. We are yet to receive a response.

As to the amount of \$0.2m of total Director loans, see **Section 11.3.1** below which outlines a reduction in director loan accounts on 21 November 2018 in the amount of \$2.0m, which is required to be further investigated by a Liquidator.

The ROCAP also disclosed a shareholder loan to Halifax NZ in the amount of \$1.1 million. Given that Halifax NZ is in Administration, we do not consider this amount to be recoverable (although the Administrators will submit a claim in that Administration).

The balance sheet discloses a loan receivable from AMH of \$0.1 million. The Administrators issued correspondence to AMH on 5 February 2019. The Director has advised that this amount was written off prior to the appointment of the Administrators. A liquidator would need to investigate this write off further.

On appointment, 307 Investors had negative equity balances totalling \$0.3m. The Administrators intend to write to these debtors requesting repayment of these amounts.

### 7.1.3 Plant and equipment

In respect of plant and equipment, the ROCAP disclosed:

- A 2008 Maserati Gran Turismo Sport with an ERV of \$0.1 million. Our enquiries with its financier, Westpac has confirmed that there is no equity in the vehicle and accordingly, we have issued a notice of intention not to exercise property rights.
- Office and IT equipment with an ERV of \$0.1 million. This equipment is unlikely to have any significant realisable value.
- Improvements with an ERV of \$0.1 million. It is unlikely these assets are realisable.

A search of the database maintained by the Roads & Maritime Service, has not identified any other vehicles or vessels registered in the name of the Company in NSW.

### 7.1.4 Property held on Trust

The ROCAP disclosed total property held on trust as follows:

\$000s	Directors' ERV	Administrators' ERV
Cash and counterparty collateral	12,273	7,382
Cash and shares in IB Prop Account	27,284	27,291
Funds held with IB	109,353	110,045
<b>Total held property on trust</b>	<b>148,910</b>	<b>144,718</b>

Key points to note:

- Differences between the Director’s ERV and Administrators’ ERV may be explained as follows:
  - The Administrators’ ERV does not include the \$1.6 million BankWest term deposit, which is incorporated under cash at bank.
  - The Administrators’ ERV does not include funds held in New Zealand bank accounts.
- The above analysis does not include assets held on a 1:1 basis in the Halifax NZ IB Master account.
- The realisable value of assets held on trust is an estimate only and is subject to change and market fluctuations. Factors impacting the final number include:
  - The unrealised profit or loss position for open trades on appointment;
  - Currency and stock fluctuations; and
  - Funds which may be repatriated from Hong Kong held by Chinese merchant providers.

Refer to **Section 13** for further information on estimated outcome with respect to these amounts.

#### 7.1.5 Investments

The ROCAP disclosed shares in Halifax NZ with an estimated value of \$0.2 million. We do not expect that this amount is recoverable.

#### 7.1.6 Other assets

We have recovered funds from trust accounts operated by the Company’s pre-appointment solicitors in the amount of \$0.1 million.

#### 7.1.7 Employee claims

\$000s	Amount
Unpaid wages	-
Unpaid superannuation*	134
Annual leave	60
Long service leave	40
Redundancy / PILN	56
<b>Total employee entitlements as at 23 November 2018</b>	<b>290</b>

*\*A liquidator will conduct further investigations on the outstanding superannuation due to employees*

Employee claims are afforded priority of repayment pursuant to Section 556 of the Act, ahead of any return to unsecured creditors, however this priority relates to company assets only and not to assets held on trust for Investors.

The Act provides that excluded employees (including Company directors and their spouses) are each restricted to a total maximum priority claim of \$2,000 for unpaid wages and superannuation entitlements and \$1,500 for leave entitlements. Amounts owed to excluded employees that exceed the statutory limit, and all payments owing in respect of redundancy and payment in lieu of notice will rank as an ordinary unsecured claim.

Should the Company be placed into liquidation at the Second Meeting, employees may be eligible for financial assistance under the Fair Entitlements Guarantee Act 2012. Further information on FEG including eligibility for assistance can be found at [www.employment.gov.au/feg](http://www.employment.gov.au/feg).

### 7.1.8 Unsecured creditors

\$000s	Director's ERV	Administrators' ERV
Trade creditors	446	875
Statutory creditors	80	138
<b>Total unsecured creditors</b>	<b>526</b>	<b>1,013</b>

### 7.1.9 Contingent creditors

The following provides a summary of the Administrators' view of the Client equity positions as at the date of appointment. As explained above, given the deficiency in Client funds, the treatment of investor claims will be subject to approval of the Court.

Platform	Client equity position \$
IB	110,045
Halifax Pro – MT4	23,768
Halifax Pro – MT5	32,950
<b>Equity position</b>	<b>166,763</b>

*\*The above table excludes Halifax NZ Client equity of \$44.3 million*

In addition to the above, we are aware of the following contingent claims for legal action on foot as at the date of appointment:

- Shareholder oppression action brought by Blunsdon Capital Management Pty Ltd;
- Investor dispute action; and
- Unfair dismissal claim brought by a former employee of Halifax.

## 7.2 Director's opinions as to the reasons for failure

The Director has provided his views on the affairs of the Company and attributed the following key reasons (amongst others) to its failure:

### 1. Termination of the Saxo platform in June 2016 by Saxo

- Clients were migrated to the MT5 proprietary platform, and there was a series of data integrity issues with reconciliation of Client accounts
- Ultimately, the new platform was not well received by Clients due to flaws in its operations
- This caused a revenue decline which later had a material impact on the Company's financial position

### 2. Reassessment of the capital required to maintain operations

- In 2016, the Company expanded its MT4 operations and took on financial risk for its Clients' trading decisions
- Halifax could decide whether or not to hedge specific trades
- A lower than anticipated win/loss ratio and high operating costs became apparent for Chinese Investors/market

### 3. The Company was subject to several legal claims, including a shareholder oppression claim.

### 7.3 Administrator's opinions as to the reasons for failure

Our preliminary view is that, in addition to the reasons identified by the Director, the Company failed as a result of:

Reason for failure	Section ref
Poor financial records	6.1.1
Poor financial management	6.5
Breaches of Client Money Rules	4.3.4
Inadequate monitoring of investor win/loss ratio on the MT4/MT5 platform	6.3.2
A lack of adequate working capital	10.4
Trading losses caused by high platform costs and commissions	10.4
Inaccurate financial statements	6.3
Director related payments	11