

BBY LIMITED

A.B.N 80 006 707 777

ANNUAL REPORT 30 JUNE 2014

Your directors present their report on the Company and its controlled entities ("consolidated entity") for the financial year ended 30 June 2014.

1. Directors

The names of directors in office at any time during or since the end of the year are:

G A Rosewall
D J Perkins
K R Rosewall

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary during and at the end of the financial year:

Arun Maharaj

2. Principal activities

The principal activities of the consolidated entity during the year were providing stockbroking and corporate advisory services to institutional, corporate, retail and online clients.

3. Review of operations

Operating revenue

The amount of consolidated income for the year was \$42.3m (2013: \$38.4m). The major reason for the change was increased operating revenues during the 2014 year.

Operating results

The amount of consolidated loss after income tax expense was \$2.6m which compares with a loss of \$1.5m last year. The major reason for the consolidated loss was impairment of \$3.4m on related party receivables during the year.

Financial position

The net assets of the consolidated entity have decreased by \$2.6m from \$22.2m at 30 June 2013 to \$19.6m at 30 June 2014.

4. Dividends

During the year, the directors of the Company recommended that no dividend be paid for the year ended 30 June 2014 (2013: \$nil).

5. Significant Changes in State of Affairs

No significant changes in the consolidated entity's state of affairs occurred during the financial year.

6. Events Subsequent to Reporting Date

At the date of this report there are no matters or circumstances which have arisen since 30 June 2014 that have significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

7. Future Developments, Prospects and Business Strategies

Further information on likely developments in the operation of the consolidated entity and the expected results of those operations have not been included in this report because directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

8. Environmental Issues

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

9. The following persons were directors, company secretary and key management personnel during the financial year.

Director

Name & Qualifications Age Experience & Special Responsibilities

<p>G A Rosewall B.Econ, CA</p>	<p>53</p>	<p>Executive Chairman. Mr Rosewall has over 25 years experience in institutional broking and investment banking, primarily in senior management positions in investment banks in Australia and the United States. Prior to joining BBY, Mr Rosewall was based in New York as the US Head of Sales for Asian Equities at JPMorgan. He was also a member of the Bank's International Equities Executive Committee and was an Executive Director. He was also Head of Equities at Australian-owned Ord Minnett Securities Limited and responsible for the firms distribution of some of Australia's largest Initial Public Offerings and worldwide placements.</p> <p>Mr Rosewall is a member of the Institute of Chartered Accountants in Australia, a Master Stockbroker with the Stockbrokers Association of Australia and is on the ASIC's Markets Disciplinary Panel.</p>
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<p>D Perkins B.Juris. LLB, Grad Dip CM, FAICD, FCIS. Solicitor & Notary Public</p>	<p>60</p>	<p>Director. Chairman of the Company's Audit and Risk Committee. Member of the Remuneration Committee and Underwriting, Sponsorship and Transaction Committee. Mr Perkins is a commercial lawyer practising in Sydney CBD. Prior to establishing his practice in 2002, Mr Perkins was the General Counsel and Company Secretary of The Chase Manhattan Bank Group for Australia, NZ and Oceania and for the JPMorgan Chase Bank Group following the merger of those banks.</p>
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<p>K R Rosewall</p>	<p>79</p>	<p>Director. Mr Rosewall was born in Sydney, Australia and is a former champion international tennis player. He enjoyed an exceptionally long career as a professional tennis player, from the early 1950s to the early 1970s. He was the World Number One player for three consecutive years in the early 1960s and was the runner-up for another seven years.</p> <p>Mr Rosewall is also a successful businessman and has been involved in numerous property and commercial building projects. He has been classified by The National Trust as one of Australia's 100 Living National Treasures.</p>
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Chief Executive Officer and Company Secretary

<p>Arun Maharaj CA (NZ), B Comm/B Science</p>	<p>42</p>	<p>Chief Executive. Mr Maharaj has considerable experience in the Funds Management and Stockbroking industry in New Zealand & Australia. Since joining BBY over 12 years ago, Mr Maharaj managed all aspects of the business and was also Chief Financial Officer and Head of Asset Management. Arun began his transactional career over 20 years ago with PricewaterhouseCoopers and was in senior management positions within Group Strategy at BT Financial Group.</p> <p>Arun is a Member of the Institute of Chartered Accountants in New Zealand and is also a Master Stockbroker with the Stockbrokers Association of Australia.</p>
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10. Meeting of directors

Director	Number eligible to attend	Number attended
G Rosewall	5	5
D Perkins	5	5
K R Rosewall	5	5

11. Indemnifying Officers or Auditors

BBY Limited ("BBY"), pays insurance premiums in respect of directors' and officers' liability insurance for current and former officers of BBY, and its controlled and associated entities.

The officers of BBY covered by the insurance include the directors and officers of the Company named in section 1 of this report.

The insurance policies prohibit disclosure of the nature of the liability insured against and the amount of the premiums.

The officers as detailed above are indemnified out of the property of BBY against any liability incurred in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act 2001.

The officers are also indemnified out of the property of BBY against any liability incurred in that capacity (other than to the Company or related body corporate) provided that liability does not arise out of conduct involving a lack of good faith.

No amount was paid in relation to the auditors.

12. Directors' benefits

Information on directors' benefits is set out in the following notes to the consolidated financial statements:

- (a) Note 17: Key Management Personnel Compensation
- (b) Note 21: Related Party Information

13. Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

14. Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

15. Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

16. Rounding off of amounts to the nearest thousand dollar

The parent entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

This report is made in accordance with a resolution of the directors.



David Perkins
Director

Sydney
30 September 2014



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Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF BBY LIMITED

As lead auditor of BBY Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BBY Limited and the entities it controlled during the period.

Tim Sydenham
Partner

BDO East Coast Partnership

Sydney, 30 September 2014

BBY LIMITED
A.B.N. 80 006 707 777
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Revenue	4	39,879	34,449
Other income	4	2,410	3,994
Expenses excluding finance costs	5	(40,670)	(39,582)
Finance costs	5	(368)	(536)
Profit/(loss) before impairment & income tax		1,255	(1,675)
Impairment charge	8	(3,395)	-
Profit/(loss) before income tax		(2,140)	(1,675)
Income tax (expense)/benefit	6	(470)	183
Net Profit/(loss) attributable to members of the parent entity		(2,610)	(1,492)
Other Comprehensive Income			
Other Comprehensive Income for the year (net of tax)		-	-
Total Comprehensive Income attributable to members of the parent entity		(2,610)	(1,492)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

BBY LIMITED
A.B.N. 80 006 707 777
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		Consolidated	
	Note	2014 \$'000	2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	7	2,234	6,039
Trade and other receivables	8	69,279	73,896
Other financial assets	10	123	164
Other assets	11	1,335	133
TOTAL CURRENT ASSETS		72,971	80,232
NON-CURRENT ASSETS			
Deferred tax asset	9	472	458
Other assets	11	235	-
TOTAL NON-CURRENT ASSETS		707	458
TOTAL ASSETS		73,678	80,690
CURRENT LIABILITIES			
Trade and other payables	12	51,756	56,501
Other liabilities	13	108	-
TOTAL CURRENT LIABILITIES		51,864	56,501
NON-CURRENT LIABILITIES			
Deferred tax liability	9	1	-
Other liabilities	13	234	-
Long-term borrowings	14	2,000	2,000
TOTAL NON-CURRENT LIABILITIES		2,235	2,000
TOTAL LIABILITIES		54,099	58,501
NET ASSETS		19,579	22,189
EQUITY			
Issued capital	15	11,438	11,438
Reserves	15	100	100
Retained profits	16	8,041	10,651
TOTAL EQUITY		19,579	22,189

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

BBY LIMITED
A.B.N. 80 006 707 777
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital				
	Ordinary	Non-cumulative redeemable preference shares	Retained profits	General reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	10,938	500	12,143	100	23,680
Net loss for the year	-	-	(1,492)	-	(1,492)
Total comprehensive income for the year	-	-	(1,492)	-	(1,492)
Balance at 30 June 2013	10,938	500	10,651	100	22,189
Balance at 1 July 2013	10,938	500	10,651	100	22,189
Net loss for the year	-	-	(2,610)	-	(2,610)
Total comprehensive income for the year	-	-	(2,610)	-	(2,610)
Balance at 30 June 2014	10,938	500	8,041	100	19,579

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BBY LIMITED
A.B.N. 80 006 707 777
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Cash flow from operating activities			
Receipts from customers		36,644	35,844
Payments to suppliers		(42,385)	(35,733)
Interest received		1,451	2,357
Finance costs paid		(368)	(536)
Net cash inflow/(outflow) from operating activities	24	<u>(4,658)</u>	<u>1,932</u>
Cash flow from investing activities			
Net cash (outflow)/inflow for purchase/sale of investment securities		-	(28)
Net cash (outflow)/inflow from investing activities		<u>-</u>	<u>(28)</u>
Cash flow from financing activities			
Amount (advanced)/received from related parties		853	(425)
Net cash inflow/(outflow) from financing activities		<u>853</u>	<u>(425)</u>
Net increase/(decrease) in cash held		(3,805)	1,479
Cash at the beginning of the financial year	24	6,039	4,560
Cash at the end of the financial year	24	<u>2,234</u>	<u>6,039</u>

Financing arrangements are set out in note 14 to the consolidated financial statements.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1: Introduction

The financial statements covers BBY Limited and its controlled entities. BBY Limited is an unlisted public company incorporated and domiciled in Australia.

Operations and principal activities

The principal activities of the consolidated entity during the year were providing stockbroking and corporate advisory services to institutional, corporate, retail and online clients.

Currency

The financial report is presented in Australian dollars (and rounded to the nearest thousand dollars) which is the consolidated entity's presentation and functional currency.

Reporting Period

The financial statements presented are for the year ended 30 June 2014. The comparative reporting period is the year ended at 30 June 2013.

Registered office and principal place of business

Level 17
60 Margaret Street
Sydney NSW 2000
Australia

Authorisation of the financial statements

The financial statements were authorised for issue on 30 September 2014 by the Directors.

Note 2: Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the company.

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

Note 2: Summary of Significant Accounting Policies (continued)

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for-profit orientated entities.

The financial statements of BBY Limited and its controlled entities comply with all International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BBY Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. BBY Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(b) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

Note 2: Summary of Significant Accounting Policies (continued)

Accounting Policies

Income tax (continued)

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

(c) Tax Consolidation

BBY Holdings Pty Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(d) Foreign currency translation

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Note 2: Summary of Significant Accounting Policies (continued)

(e) Revenue recognition

(i) Brokerage, Fees and Commission Revenue

Brokerage revenue is stated gross of commission rebates when a contract note for the sale or purchase of shares is raised.

Commissions and fee income is recognised as income as the services are provided.

(ii) Interest Income

Interest on short term investments and interest on scrip lending is recognised in accordance with the terms and conditions of the underlying financial instrument.

Dividend income is recognised on an accrual basis.

(f) Financial Instruments

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Note 2: Summary of Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses from investment securities. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivatives financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

Effective interest method

The effective interest method is the method of calculating the amortised cost of a financial asset / (liability) and allocating interest income over a relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts/ (payments) through the expected life of the financial asset / (liability) or, where appropriate, a shorter period.

Note 2: Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Classification and Subsequent Measurement

Investment in subsidiaries and unlisted investments

Investment in subsidiaries and unlisted investments are reflected at cost less any impairment of value.

Note 2: Summary of significant accounting policies (continued)

(g) Leased non-current assets

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(h) Trade payables and other creditors

Trade payables are recognised for the major business activity of stockbroking. Other creditors represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition.

(i) Interest bearing liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(j) Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(k) Finance costs

Finance costs are recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they occurred and include interest on long-term borrowings.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, to the extent that they are used for clearing and settling transactions, which typically settle on the third day

Note 2: Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

after transaction date, are not included as part of cash and cash equivalents. Bank overdrafts are shown within short term borrowings in current liabilities on the Statement of Financial Position.

(m) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

The Company holds money on behalf of clients in accordance with the client money rules of the Corporations Act, 2001 and other regulatory bodies. This money is included within trade and other receivables on the statement of financial position and the corresponding liability to clients is included in Trade and other payables. The return received on managing client balances is included within revenue.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Since 1 October 2010, BBY Limited became part of a GST consolidated group with BBY Holdings being the head entity. All GST payable/receivable by the group to the ATO is now recognised by the head entity.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority

Note 2: Summary of significant accounting policies (continued)

(o) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

(p) Standards issued not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2014. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e.

Note 2: Summary of significant accounting policies (continued)

Standards issued not yet effective (continued)

proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3: Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account recent sales activity, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 4: Revenue

	Consolidated	
	2014 \$'000	2013 \$'000
Revenue from operating activities		
Brokerage, fees and commission revenue	39,683	34,302
Other income	192	147
	39,876	34,449
Income from non-operating activities		
Sundry income	960	853
Interest – bank accounts	1,450	2,357
Interest – convertible notes	-	758
Net gains on fair value through profit and loss financial assets	-	26
Foreign currency translation gain	7	-
	2,417	3,994
	42,293	38,443

Note 5: Expenses

	Consolidated	
	2014 \$'000	2013 \$'000
Consultancy expense	1,091	1,027
Transaction expense	17,141	14,546
Management fee expense	16,244	16,835
Occupancy expense	2,310	2,104
Communication expense	915	1,004
Travel and entertainment expense	469	336
Legal and professional fees	430	488
Loss on fair value through profit and loss financial assets	41	54
Impairment of receivables	45	1,175
Other expenses	1,984	2,013
	40,670	39,582
Finance costs:		
- related parties	300	314
- external	68	222
Total finance costs	368	536

(a) Broker Services Australia Pty Ltd ("BSA") and BBY Holdings Pty Limited, related entities of BBY Limited (BBY Staff Holdings Pty Ltd is the ultimate parent entity for both companies) provide services to the Company including the provision of staff, equipment and management services at cost. A management fee of \$16,243,888 (2013: \$16,834,909) was charged to BBY from BSA and BBY Holdings during the year for the services provided. Accordingly, BBY Limited has no employees at the reporting date (2013: Nil).

Note 6: Income tax expense/(benefit)

	Consolidated	
	2014 \$'000	2013 \$'000
(a) Income tax expense/(benefit)		
Income tax comprises:		
Current tax	470	(183)
 (b) The prima facie tax on (loss)/profit before income tax is reconciled to the income tax as follows:		
Profit/(loss) before income tax expense/(benefit)	(2,139)	(1,675)
Income tax calculated at 30% (2013: 30%)	(642)	(502)
Add:		
Tax effect of:		
Non-deductible entertainment expenses	38	22
Other non-deductible expenses	1,031	31
Tax benefit not recognised on operating loss	-	242
Under provision for income tax in prior year	43	24
 Income tax expense/(benefit) attributable to the entity	470	(183)

Note 7: Cash and Cash equivalents

CURRENT	Consolidated	
	2014 \$'000	2013 \$'000
Cash at bank	2,234	6,039
	2,234	6,039

Note 8: Trade and Other Receivables

CURRENT	Consolidated	
	2014 \$'000	2013 \$'000
Trade debtors	3,240	4,536
Allowance for doubtful debts	-	(1,175)
	3,240	3,361
Other receivables from:		
- Other parties	2,570	2,222
- Related parties	9,802	14,876
- Clearing receivables	13,442	7,999
- Segregated assets	40,225	45,438
	66,039	70,535
	69,279	73,896

During the year ended 30 June 2014, the related party receivables balance was impaired by \$3,395,000. This impairment arose following a review of recoverability of investments held by BBY Holdings Pty Ltd, which were themselves deemed to be partially impaired.

The consolidated entity has recognised a loss of \$nil (2013: \$1,175,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2014.

As at 30 June 2014, the ageing of the trade debtors above are as follows:

Not past due	3,031	3,119
Past due -30 days	31	952
Past due -60 days	46	115
Past due >90 days	132	350
Closing balance	3,240	4,536

The ageing of the impaired receivables provided for above are as follows:

Not past due	-	-
Past due -30 days	-	825
Past due -60 days	-	-
Past due >90 days	-	350
Closing balance	-	1,175

Note 8: Trade and Other Receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Opening balance	1,175	-
Additional provisions recognised	-	1,175
Receivables written off during the year as uncollectable	(1,175)	-
	-	1,175

Note 9: Tax

	Consolidated	
	2014	2013
	\$'000	\$'000
NON CURRENT		
Deferred tax assets	472	458
	472	458
Deferred tax liabilities	(1)	-
	(1)	-
(a) Assets		
Deferred tax assets comprise:		
- Accruals	69	32
- Provisions	353	353
- Unrealised foreign exchange	-	13
- Other	50	60
	472	458

(b) Reconciliations

The overall movement in the deferred tax accounts are as follows:

Deferred tax assets		
Opening balance	458	275
Release/(charge) to Profit or Loss	14	183
Closing balance	472	458
Deferred tax liabilities		
Opening balance	-	-
(Release)/Charge to profit or loss	(1)	-
Closing balance	(1)	-

Note 10: Financial Assets

	Consolidated	
	2014	2013
	\$'000	\$'000
CURRENT		
Fair value through profit & loss financial assets		
Listed investments, at fair value	123	164
	123	164

Fair value of listed investments have been valued at the quoted market bid price at the reporting date, adjusted for transaction costs expected to be incurred.

Note 11: Other Assets

	Consolidated	
	2014	2013
	\$'000	\$'000
CURRENT		
Prepayments	105	133
Term Deposit	1,165	-
Leasehold Assets	65	-
	1,335	133

	Consolidated	
	2014	2013
	\$'000	\$'000
NON CURRENT		
Leasehold Assets	235	-
	235	-

Note 12: Trade and Other Payables

	Consolidated	
	2014	2013
	\$'000	\$'000
CURRENT		
Bank overdraft (refer note 14)	7,891	7,999
Trade payables	3,139	2,814
Sundry payables and accrued expenses	501	250
Segregated liabilities	40,225	45,438
	51,756	56,501

Note 13: Other Liabilities - Make Good Provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Lease make good	343	-
	<u>343</u>	<u>-</u>

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good	
	2014	2013
	\$'000	\$'000
CURRENT		
Carrying amount at the start of the year	-	-
Additional provisions recognised	108	-
Amounts used	-	-
Carrying amount at the end of the year	<u>108</u>	<u>-</u>
NON CURRENT		
Carrying amount at the start of the year	-	-
Additional provisions recognised	235	-
Amounts used	-	-
Carrying amount at the end of the year	<u>235</u>	<u>-</u>

Note 14: Borrowings

	Consolidated	
	2014 \$'000	2013 \$'000
NON CURRENT		
Subordinated debt unsecured	2,000	2,000

The Company has entered into a subordinated loan agreement with its parent company, BBY Holdings Pty Limited.

Access was available at reporting date to the following lines of credit:

Total facilities		
Subordination loan	5,000	5,000
Overdraft facility	8,000	8,000
	13,000	13,000
Used at the reporting date		
Subordination loan	2,000	2,000
Overdraft facility	7,891	7,999
	9,891	9,999
Unused at the reporting date		
Subordination loan	3,000	3,000
Overdraft facility	109	1
	3,109	3,001

The current interest rates for subordinated debt are 15% (2013: 15%). Interest rates on bank facilities vary with the indicator lending rate.

The bank overdraft, is used for clearing and settling transactions, which typically settle on the third day after transaction date. The facility is utilised by the Company to assist in funding settlements on behalf of its clients. The bank overdraft offsets the clearing receivables balance of \$9,937m as disclosed in note 8.

Note 15: Issued Capital and Reserves

		Consolidated	
		2014 \$'000	2013 \$'000
Share capital			
8,687,500 (2013: 8,687,500) A class fully paid ordinary shares	(a)	8,688	8,688
2,250,000(2013: 2,250,000) B class fully paid ordinary shares		2,250	2,250
500 (2013:500) fully paid preference shares	(b)	500	500
		11,438	11,438

Ordinary shares are classified as equity.

The company has authorised capital amounting to 10,938,000 (2013: 10,938,000) shares of no par value.

(a) Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of shares held.

(b) Preference shares issued are Non-Cumulative Redeemable Preference Shares, which rank before ordinary shares, and are redeemable only at the company's discretion.

On a show of hands every holder of ordinary shares present at the meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As the holder of an Australian financial services license, the consolidated entity is required to prudentially maintain its liquidity ratio. At all times during the year the consolidated entity complied with its prudential ratios. There were no changes in the consolidated entity's approach to capital management during the financial year.

The capital structure of the group consists of cash, debt and equity attributable to the equity holders of the parent entity.

General Reserve

The General reserve is an equity reserve created from contributions paid by shareholders for shares in excess of their nominal value.

Note 16: Equity - retained profits

	Consolidated	
	2014	2013
	\$'000	\$'000
Retained profits at the beginning of the financial year	10,651	12,143
Profit/(loss) after income tax expense for the year	(2,610)	(1,492)
Retained profits at the end of the financial year	8,041	10,651

Note 17: Key Management Personnel

a. Compensation Practices

The board policy for determining the nature and amount of compensation of key management personnel for the consolidated entity is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis, the terms of which are not expected to change in the future.

b. Key Management Personnel Compensation

	Consolidated	
	2014	2013
	\$	\$
Short term employee benefits	757,834	744,727
Post-employment benefits	37,666	85,368
	795,500	830,095

The above amounts have been paid by the Company's related entity Broker Services Australia Pty Limited ("BSA") and forms part of the management fee as disclosed in note 5 to the financial statements.

Note 18: Remuneration of auditors

	Consolidated	
	2014	2013
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Audit of the financial reports of the company	110,000	106,000
- Taxation services	97,940	10,000
	207,940	116,000

Note 19: Contingent liabilities and Contingent Assets

Since the reporting date, two claims were lodged against the Company. The Company intends to defend the claims and based on advice received from the Company's lawyers, the Directors are of the view that no significant liability will arise.

Note 20: Capital and Leasing Commitments

	Consolidated	
	2014	2013
	\$'000	\$'000
Operating lease commitments		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
- no later than 12 months	2,064	1,989
- between 12 months and 5 years	6,066	8,171
- over 5 years	-	-
	8,130	10,160

The above commitments are in relation to non-cancellable operating leases for properties over various terms, expiring between March 2017 and June 2018.

Note 21: Related party information

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Individual directors and executives compensation disclosures

Information regarding directors and executives compensation is provided in the key management personnel compensation in note 17.

Other transactions with directors and director-related entities

During the year, legal fees amounting to \$70,000 (2013: \$69,996) were paid to Perkins Solicitors, with part of these fees recouped from the Company's corporate clients. David Perkins is a principal of this firm. The fees paid were under normal commercial terms and conditions.

Wholly-owned group

The wholly-owned group consists of BBY Limited and its wholly-owned controlled entities: BBY Nominees Pty Ltd, BBY Protection Nominees Pty Ltd, Options Research Pty Ltd, Tilbia Nominees Pty Ltd. Ownership interests in these controlled entities are set out in note 22.

Controlling entities

The immediate parent entity of BBY Limited and its wholly-owned controlled entities is BBY Holdings Pty Ltd, which at 30 June 2014 owned 100% (2013: 100%) of the issued ordinary shares of BBY Limited.

The ultimate parent entity of BBY Holdings Pty Ltd is Olive Pacific Pty Ltd, which at 30 June 2014 owned 77.92% (2013: 77.92%) of the issued ordinary shares of BBY Holdings Pty Ltd.

Other related parties

Other related parties of BBY Limited and its wholly-owned controlled entities are:

- Jefferies & Company incorporation (USA) which at 30 June 2014 owned 1.02% (2013: 1.53%) of the issued ordinary shares of BBY Holdings Pty Ltd;
- Ficema Pty Limited which at 30 June 2014 owned a non-controlling interest of 0.47% (2013: 0.47%) in BBY Holdings Pty Limited;
- Olive Pacific Pty Ltd which at 30 June 2014 owned 77.92% of BBY Holdings Pty Limited;
- BBY Staff Holdings Pty Limited which at 30 June 2014 owned a non-controlling interest of 20.59% (2013: 20.08%) in BBY Holdings Pty Limited;
- BBY (Dubai) Limited for which BBY Holdings Pty Limited is a parent entity;
- Broker Services Australia Pty Ltd for which BBY Holdings Pty Ltd is a parent entity;
- BBY Advisory Services Pty Limited for which BBY Holdings Pty Limited is a parent entity (previously Jaguar Advisory Services Pty Limited);
- Jaguar Asset Management Limited for which BBY Holdings Pty Limited is a parent entity; and
- Jaguar Funds Management Pty Limited for which BBY Holdings Pty Limited is a parent entity;
- SmarTrader Limited for which BBY Holdings Pty Limited is a parent entity; and
- BBY HomeTrader Pty Ltd for which BBY Holdings Pty Limited is a parent entity.

Note 21: Related party information (continued)

Aggregate amounts included in the determination of operating profit/(loss) before income tax that resulted from transactions with each class of other related entities:

	Consolidated	
	2014	2013
	\$	\$
Finance costs		
BBY Holdings Pty Ltd	300,000	314,029
Management fee expense		
BSA and BBY Holdings Pty Ltd	16,243,888	16,834,909

Aggregate amounts receivable from, and payable to, each class of other related parties at the reporting date:

Current trade and other receivables		
Loans to BSA and BBY Holdings Pty Limited	9,801,823	14,876,000
Non-current financial liabilities		
Sub-ordinated debt – BBY Holdings Pty Ltd	2,000,000	2,000,000

Broker Services Australia Pty Ltd (BSA) and BBY Holdings Pty Ltd, related entities of BBY Limited (Olive Pacific Pty Ltd is the ultimate parent entity for both companies) provide services to the Company including the provision of staff, equipment and management services at cost.

Transactions with other related parties:

Sale of financial assets		
BBY Holdings Pty Ltd	-	5,588,113
Jaguar Australian Leaders Long Short Unit Trust	-	1,365,183

Note 22: Investments in controlled entities

Name of entity	Country of formation or incorporation	Cost of Parent Entity's Investment		Equity Holding	
		2014	2013	2014	2013
		\$	\$	%	%
BBY Nominees Pty Ltd	Australia	2	2	100.0	100.0
BBY Protection Nominees Pty Ltd	Australia	2	2	100.0	100.0
Options Research Pty Ltd	Australia	7,122	7,122	100.0	100.0
Tilbia Nominees Pty Ltd	Australia	2	2	100.0	100.0
		7,128	7,128		

Note 23: Segment information

The company operates in one operating segment being the financial services industry. The operations of the consolidated entity are conducted primarily in Australia.

Note 24: Cash flow information

	Consolidated	
	2014	2013
	\$'000	\$'000
(a) Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank (note 7)	2,234	6,039
	2,234	6,039
	Consolidated	
	2014	2013
	\$'000	\$'000
(b) Reconciliation of net cash flows from operating activities to profit/(loss) after income tax		
Profit/ (loss) after income tax	(2,610)	(1,492)
Net foreign exchange loss/(gain)	(7)	(11)
Write down and loss/(gain) on investments	41	28
Impairment of receivables	45	1,175
Impairment of intercompany receivables	3,395	-
Unwinding of discount	65	-
Tax movement	484	-
Changes in assets and liabilities:		
(Increase)/decrease in trade debtors	121	283
(Increase)/decrease in other receivables	(230)	10,744
(Increase)/decrease in prepayments	(1,204)	(127)
(Increase)/decrease in deferred tax balance	(13)	(183)
Increase/(decrease) in trade and other creditors	(4,745)	(8,485)
Net cash inflows/(outflows) from operating activities	(4,658)	1,932

Note 25: Financial instruments

Financial Risk Management

The consolidated entity's financial instruments mainly consist of deposits with banks, short-term investments, trade and other receivables, trade payables and borrowings.

(i) Financial Risks Exposures and Management

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, market price risk and credit risk.

(a) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The interest on the subordinated loan is fixed and therefore interest rate changes have no impact on the profit and equity of the consolidated entity.

During the current and prior financial years the consolidated entity operated bank accounts subject to variable interest rate changes. An increase in interest rates of 100 basis points would have increased profit/(loss) before tax in the consolidated entity by \$507,977 in the current year (2013: \$514,770). A decrease of 100 basis points would have reduced profit/(loss) before tax by \$507,977 (2013: \$514,770).

(b) Foreign currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the exchange rates. The consolidated entity is mainly exposed to foreign currency risk in relation to US dollars (USD), Great British Pounds (GBP), Euro (EUR) and Canadian Dollars (CAD). There is no policy in place to minimise this risk as the core operations are sourced domestically.

The carrying amounts of the foreign currency denominated financial assets and liabilities at the reporting date are as follows:

	2014		2013	
	Financial assets \$'000	Financial liabilities \$'000	Financial assets \$'000	Financial liabilities \$'000
Consolidated				
US Dollars	236	10	183	-
Great British Pounds	38	-	51	-
Euro	90	-	43	-
Canadian Dollars	33	-	60	-
Swiss Francs	2	-	-	-
	399	10	336	-

The table below details the consolidated entity's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. A sensitivity rate of 10% is considered reasonable based on exchange rate fluctuations over the past 12 months. The sensitivity analysis includes only outstanding foreign currency financial assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates.

Note 25: Financial instruments (continued)

Foreign currency risk (continued)

	2014		2013	
	10% Increase	10% Decrease	10% Increase	10% Decrease
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Profit/(loss) & Equity	40	(40)	34	(34)
	40	(40)	34	(34)

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as and when they fall due. The consolidated entity manages liquidity risk by monitoring forecast cash flows on a daily basis and through monthly reporting of its liquidity position to the ASX.

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated

2014 Financial Liabilities	Weighted average interest rates	< 1 month	1-3 months	3 months to 1 year	1 to 5 years	Remaining contractual maturities
		\$'000	\$'000	\$'000	\$'000	\$'000
Non derivatives-non interest bearing						
- Trade payables	-	3,139	-	-	-	3,139
- Sundry payables and accrued expenses	-	501	-	-	-	501
- Segregated liabilities	-	-	40,225	-	-	40,225
- Make good provisions	-	108	-	-	235	343
Non derivatives-Interest bearing						
- Bank overdraft	15%	7,891	-	-	-	7,891
- Borrowings – Subordinated debt	-	-	-	-	2,600	2,600
Total		11,639	40,225	-	2,835	54,699

The above table assumes the subordinated debt will be repaid in two years.

Note 25: Financial instruments (continued)

(c) Liquidity risk (continued)

**Consolidated
2013**

Financial Liabilities	Weighted average interest rates	< 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Remaining contractual maturities \$'000
Non derivatives-non interest bearing						
- Trade payables	-	2,113	-	-	-	2,113
- Segregated liabilities	-	-	45,438	-	-	45,438
- Sundry payables and accrued expenses	-	951	-	-	-	951
Non derivatives- Interest bearing						
- Bank overdraft	7%	7,999	-	-	-	7,999
- Borrowings – Subordinated debt	15%	-	-	-	2,300	2,300
Total		11,063	45,438	-	2,300	58,801

The cash flows on the maturity analysis above are not expected to occur significantly earlier than disclosed.

(d) Market and Price Risk

Market risk is the risk that changes in equity market prices will affect the consolidated entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk. The consolidated entity manages its exposure to changes in market value through employing highly experienced personnel to engage in investment transactions. Monitoring and review procedures take place daily.

Holdings of market exposed financial instruments are subject to daily mark to market review and organisational controls.

The consolidated entity holds a portfolio of listed investments. At 30 June 2014, the total portfolio amounted to \$164,005 (2013: \$164,005). A 10% movement of the respective market benchmarks, which is considered a reasonable movement and approximate indicator of the portfolio would have the following effects:

	2014 \$'000	2013 \$'000
Change in Profit before tax		
- Increase in Market Value by 10%	12	16
- Decrease in Market Value by 10%	(12)	(16)
 Change in Shareholders Funds		
- Increase in Market Value by 10%	12	16
- Decrease in Market Value by 10%	(12)	(16)

Note 25: Financial instruments (continued)

(e) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity. The consolidated entity has a third party clearing arrangement with ABN AMRO Clearing Sydney Pty Limited, who is a clearing participant of the ASX, and commission is remitted monthly in arrears.

(i) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at the reporting date. For other assets and other liabilities the net fair value approximates their carrying value. No financial asset or liability is readily traded on organised markets in standardised form other than listed investments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

(ii) Fair Values hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: fair value is calculated using current bid prices (unadjusted) in active markets for identical assets or liabilities excluding transaction costs. House positions are valued using quoted bid prices, excluding transaction costs.

Level 2: fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) in a sales contract.

Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unlisted investments are measured at cost. The cost is representative of the fair value of the unlisted investment.

Note 25: Financial instruments (continued)

(e) Credit risk (continued)

(ii) Fair Values hierarchy (continued)

Consolidated

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2014				
<i>Financial assets at fair value through profit or loss</i>				
Listed investments - shares in listed corporations	123	-	-	123
	123	-	-	123
30 June 2013				
<i>Financial assets at fair value through profit or loss</i>				
Listed investments - shares in listed corporations	164	-	-	164
	164	-	-	164

Transfer between categories

There were no transfers between Level 1, Level 2 and Level 3 during the year.

Note 26: Events subsequent to Reporting Date

Aside from the matters disclosed in Note 19, there are no other matters or circumstances which have arisen since 30 June 2014 that have significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

Note 27: Parent Entity Information

	2014	2013
	\$'000	\$'000
Information relating to BBY Limited		
Current assets	72,971	80,232
Non-current assets	707	458
Total assets	73,678	80,690
Current liabilities	51,864	56,501
Non-current liabilities	2,235	2,000
Total liabilities	54,099	58,501
Issued capital	11,438	11,438
Retained earnings	8,041	10,651
Reserves	100	100
Total shareholder's equity	19,579	22,189
Profit/(Loss) of the parent entity	(2,610)	(1,492)
Total comprehensive income of the parent entity	(2,610)	(1,492)
Details of contingent liabilities of the parent entity	Refer to note 19	Refer to note 19

DIRECTORS' DECLARATION

The directors of BBY Limited declare that:

- (a) in the directors' opinion the financial statements and notes on pages 7 to 41 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



David Perkins
Director

Sydney
30 September 2014



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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of BBY Limited

Report on the Financial Report

We have audited the accompanying financial report of BBY Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BBY Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of BBY Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

BDO East Coast Partnership

BDO
A handwritten signature in black ink, appearing to read 'Tim Sydenham', with a horizontal line extending to the right.

Tim Sydenham
Partner

Sydney, 30 September 2014

