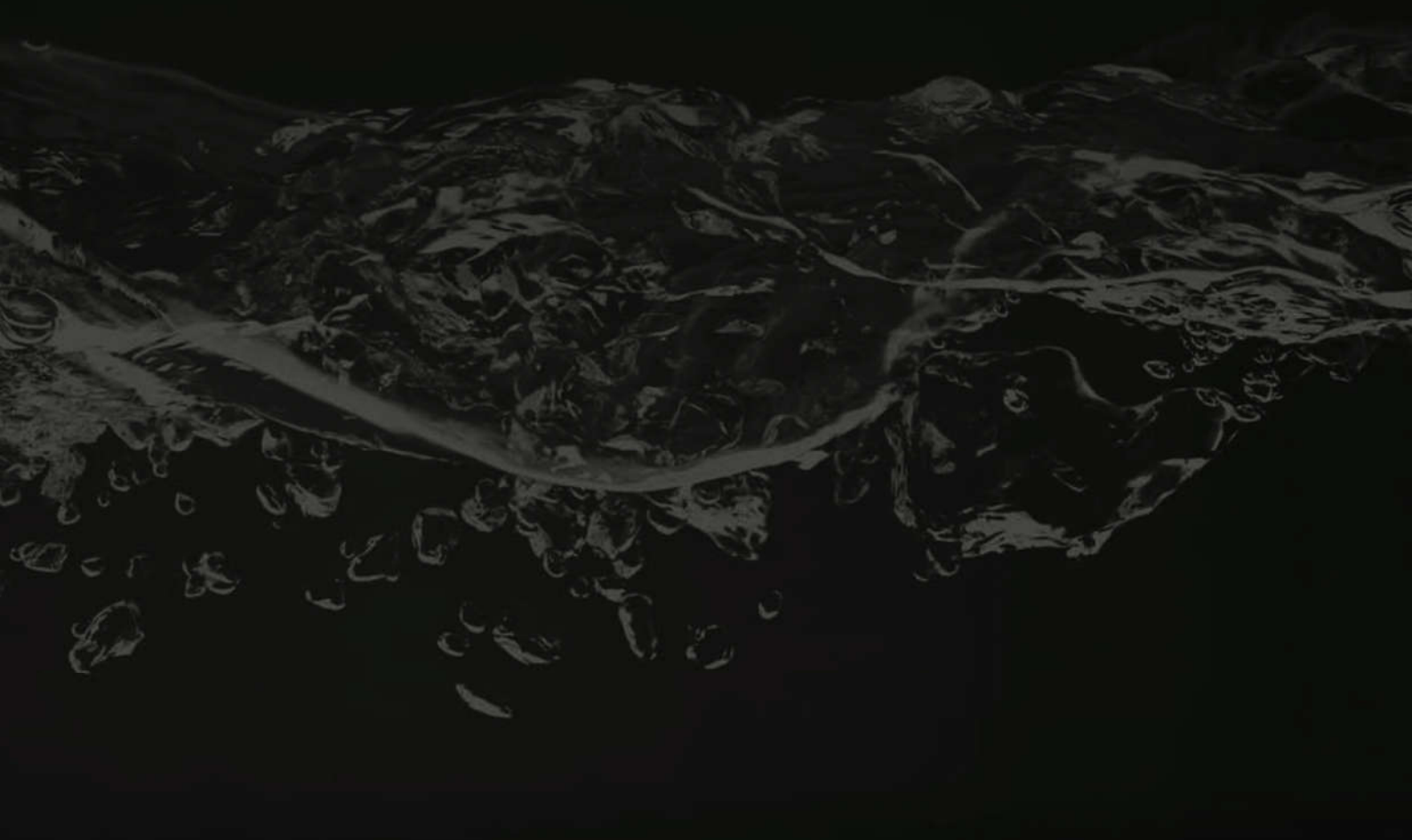




JOHN BRIDGEMAN



# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

JOHN BRIDGEMAN LIMITED ACN 603 477 185

# John Bridgeman Limited

## Managing Director's Letter

Dear Shareholder

It has been an exciting year for John Bridgeman Limited, with the establishment of several new managed funds over the past 18 months: the ASX listings of Henry Morgan Limited in February 2016 and Benjamin Hornigold Ltd in May 2017, and the establishment of Bartholomew Roberts Ltd, a private equity fund, in 2016.

We have also recently announced our intention to launch a new Australian enhanced leveraged fund - Samuel Axe Enhanced Fund Ltd, and a new global equities fund – William Kidd Ltd. We will update shareholders on these funds in due course.

In addition, the Company has announced its intention, subject to shareholder approval, to withdraw its NSX listing and seek admission to the ASX. The Board believes this will increase the coverage of research houses, enhance the profile of the Company, improve our stock liquidity and expand our potential investor base.

Meanwhile, the Company and entities in which it has an interest (either directly or indirectly) have:

- approached Henry Morgan Limited with a proposal to acquire 100% of the shares held by Henry Morgan Limited in JB Financial Group Ltd, an expanding financial services company;
- entered into international master franchise agreements for the 'Wingstop' and 'Johnny Rockets' brands of restaurants;
- acquired various wholesale currency exchange assets from American Express;
- acquired the broking businesses of Alpha Equities & Futures Ltd and Genesis Proprietary Trading;
- acquired Risk & Security Management Ltd, one of Australia's leading providers of mercantile agency services, trade mark protection, process serving, investigation services, physical audits, location services, and specialist debt recovery.

In addition to its Australian activities, the Board believes it is important that John Bridgeman begin to expand internationally. Shareholders will recall that during the past 12 months, we have announced exciting developments in this area, including our intention to expand establish and list funds management companies and listed investment companies in the United Kingdom and New Zealand.

In addition, advisors have been appointed in Singapore to advise on the possibility of seeking a secondary listing of John Bridgeman Limited on Singapore Stock Exchange (SGX) and to establish an unlisted wholesale fund focusing on global macro investment strategies, as well as a global broking firm which will principally offer specialist derivatives services, physical gold and margin FX.

Our investment management team is confident the Company will continue to achieve an above-average market performance and will perform strongly over the coming year.

Our objectives are to grow a very large funds management group in the medium to long term.

We look forward to your continued investment in John Bridgeman Limited.



**Stuart McAuliffe**  
Managing Director  
**John Bridgeman Limited**  
29 September 2017

## John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

### DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of John Bridgeman Limited (the Company) and its subsidiaries\* (for the purposes of the accounting standards) for the year ended 30 June 2017 and the auditor's report thereon.

\*All references to subsidiary or subsidiaries in this report are for the purposes of accounting standards only.

#### General information

##### Directors

The following persons were directors of John Bridgeman Limited during or since the end of the financial year up to the date of this report:

Stuart McAuliffe – Managing Director

John McAuliffe AM – Chairman and Non-Executive Director

Rosario Patane – Non-Executive Director

Particulars of each director's experience and qualifications are set out below:

#### Information relating to Directors and Company Secretary

<b>Stuart McAuliffe</b>	–	Managing Director
Qualifications	–	BA; MEd; Grad Dip Legal Studies
Experience	–	Stuart has over 25 years' experience investing in global equity, bond, currency and commodity markets. Stuart is also an Associate Professor in the Faculty of Society and Design at Bond University. He has been a Board member and investment manager since January 2015.
Listed company directorships held	-	Stuart has been a director of Henry Morgan Limited since 26 September 2014 and a director of Benjamin Hornigold Ltd since 28 September 2016.
Interest in Shares and Options	–	Stuart holds or has interests in entities that hold 5,550,000 ordinary shares and options to acquire a further 8,630,000.
<b>John McAuliffe AM</b>	–	Chairman
Qualifications	–	AM; LAPI; FAIB; ACTCB Life Fellow of the Australian Institute of Valuers; Fellow of the Australian Institute of Building – Chartered Builder; Associate Papua New Guinea Institute of Valuers and Land Administrators; Registered Valuer, Queensland; Registered Valuer, Papua New Guinea; Associate Central Technical College Brisbane – Diploma in Building and Diploma in Quantity Surveying; and Member Real Estate Institute of Queensland.
Experience	–	John has had a long and distinguished career in both government and private sector roles. He has also lectured extensively at both QUT and UQ in the areas of property valuation and surveying. John was awarded the Order of Australia in June 2007 for services to the community particularly through executive roles in the areas of health care, public housing management and to the property valuation industry. John was appointed Chair in March 2015 and has been a Board member since that time.
Listed company directorships held	-	John has been a director of Henry Morgan Limited since 21 October 2015.
Interest in Shares and Options	–	John holds or has interests in entities that hold 896,000 ordinary shares and options to acquire a further 1,936,000.

# John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

## DIRECTORS' REPORT

- Rosario (Ross) Patane** – Non-Executive Director
- Qualifications – BBus, CA, MAICD; FFin
- Experience – Ross is a chartered accountant with in excess of 25 years' experience in providing high level accounting related services. Ross is presently the Queensland Managing Principal of Crowe Horwath, a leading accounting and financial services business. Ross has been a board member since March 2015.
- Listed company directorships held - Ross has been a director of Henry Morgan Limited since 31 March 2016.
- Interest in Shares and Options – Ross holds options to acquire 1,040,000 ordinary shares.
- Jody Wright** – Company Secretary
- Qualifications – LLB
- Experience – Jody was admitted to practice as a Solicitor of the Supreme Court of Queensland in January 2001 and is a member of the Queensland Law Society. Jody has an extensive background in corporate governance, compliance, risk management, board advisory and commercial litigation. She has significant experience as in-house counsel and compliance manager across different industry spheres including financial services, insurance and investigative services.
- Kevin Mischewski** – Company Secretary appointed 10 August 2017
- Qualifications – CA, AGIA
- Experience – Kevin is a chartered accountant and member of the Governance Institute of Australia. He has held Company Secretary and Chief Financial Officer roles for ASX-listed and unlisted public companies. Kevin brings a wealth of experience as a finance and company administration executive. Kevin previously held the role as Company Secretary and Chief Financial Officer for ASX-listed Australian Pacific Coal Ltd

### Directors' meetings

During the year, 6 meetings of directors were held. Attendances by each Director during the year were as follows:

	Board of Directors		Audit and Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Stuart McAuliffe	6	6	2	2
John McAuliffe	6	6	2	2
Ross Patane	6	6	2	2

# John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

## DIRECTORS' REPORT

### Operating and financial review

#### Principal activities

The principal activities of the Company during the year consisted of providing investment management services to Henry Morgan Limited, Bartholomew Roberts Ltd, and Benjamin Hornigold Ltd, as well as investing either directly or indirectly in listed and unlisted companies. Unlisted companies in which the Company has had a direct or indirect investment are based in various sectors, primarily:

- financial services including broking and currency exchange;
- physical audits and mercantile agency services, as well as investigations, brand protection, surveillance, background screening and security sweeps across Australia and New Zealand;
- emerging 'disruptive' technology applications in the financial services sector; and
- international casual dining franchises, which are the master franchisee in Australia and New Zealand for the Johnny Rockets and Wingstop brands of restaurants.

#### Our business model and objectives

The Company aims to deliver shareholder returns by providing cost efficient, high quality investment management services, exposure to global investment markets and selected private equity investments which allows Board, key management and shareholders' interests to be aligned.

#### Operating results

The following table shows a summary of financial highlights:

	2017	2016
	\$	\$
Profit/(loss) before tax	6,355,491	(1,276,317)
Net profit/(loss) after tax	4,424,050	(930,922)
Net investment gains/(losses)	3,207,603	(194,397)
Management and performance fees	7,894,922	-
Operating revenue	9,165,979	8,230
Income tax benefit/(expense)	(1,931,441)	345,395
Dividends paid	-	-
Earnings per share – basic (cents)	22.2	(6.52)
Earnings per share – diluted (cents)	15.6	(6.52)
Return on average capital employed	14.95%	(12.24)%

For the year ended 30 June 2017, the profit for the consolidated entity after tax amounted to \$4,424,050. This compared to the loss after tax for the year ended 30 June 2016 of \$930,922. The major contributors to this result were the commencement of management and performance fee revenue during the period of \$7,894,922 (2016: Nil), foreign currency exchange sales of \$4,328,682 (2016: Nil), professional services income \$3,726,168 (2016: \$6,156), and net realised and unrealised investment gains of \$3,207,603 (2016: losses of \$194,397).

#### Review of operations

##### *Changes in Group subsidiaries and associates:*

The following changes have occurred through the Company's investment in Bartholomew Roberts Ltd (BRL):

- o During the year, BRL issued an additional 788,596 shares to the Company, consisting of 147,417 shares at \$1.00, 100,000 shares at \$4.00, 214,444 shares at \$9.00 per share and 326,735 shares at \$9.90; being a total investment of \$5,712,093.
- o BRL also issued 2,227,616 shares to other investors, including 1,930,000 shares at \$1.00, 55,556 at \$9.00 and 242,060 at \$9.90; for a total investment of \$4,826,398.
- o On 1 March 2017 BRL called a loan of \$900,000 which it had made to Mr Bryan Cook secured over 600,000 shares in RSM held by Mr Cook. BRL accepted the 600,000 shares in RSM in lieu of repayment of the loan including accrued interest of \$37,282.

## John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

### DIRECTORS' REPORT

- BRL and its subsidiaries undertook the following significant acquisitions and transactions during the year:
  - At the start of the year BRL owned 60% of Risk and Security Management Limited (RSM), an operating entity with a focus on earning services income through mercantile services. In June 2017 all of the shares in RSM were acquired by JB Financial Group Ltd (JBFG). RSM made the following acquisitions and share issues during the period
    - On 4 July 2016, RSM acquired 100% of Trade Mark Investigation Services in Australia, and Trademark Investigation Services (NZ) Ltd, operating businesses' focused on trademark infringement investigations and due diligence, for total consideration of \$591,675.
    - On 1 February 2017, RSM acquired the business of Yates Professional Investigations, an operating business in the professional investigation and mercantile services space, for consideration of \$500,000.
    - On 1 March 2017, RSM acquired 100% of the shares in Ashdale Integrity Solutions Pty Ltd from Bryan Cook in consideration for \$1,260,000 represented by the cancellation of an amount of \$1.2 million payable to RSM plus \$60,000 cash.
    - On 19 April 2017, RSM issued 6,300,000 shares to BRL at \$1.00 per share in exchange for \$3,400,000 cash to be injected into RSM to fund acquisitions and in consideration for consulting fees.
    - On 11 May 2017 RSM acquired 100% of the issued shares in Advance Group Holdings Pty Ltd (AGH), including 24% from BRL. Consideration for the acquisition was 7,650,472 shares in RSM valued at \$2.10 (\$16,065,991). BRL made a gain of \$2,855,837 on the transaction which has been eliminated on consolidation.
  - On 7 July 2016, BRL acquired 100% of a newly incorporated company JR Restaurants Australia Pty Ltd (JRR). JRR has entered into an International Master Development Agreement with Johnny Rockets Licensing, LLC (a premium burger chain) to act as Master Franchisee in Australia and New Zealand. JRR opened its first store under that Agreement in Brisbane on 27 July 2017.
  - On 11 July 2016, BRL acquired 60% of the issued shares of (JBFG) (formerly JB Broking Ltd), a newly incorporated financial services company. The company is planning to list on the ASX. In June 2017 JBFG acquired all of the issued shares in RSM. JBFG acquired the following entities and undertook the following share transactions including placements and a share split during the year.
    - On 1 August 2016, JBFG acquired 100% of the shares of JB Markets Pty Ltd (formerly Aliom Pty Ltd), which holds an Australian Financial Services License (#323182) and operates as a securities and derivatives broker and dealer. Consideration for the acquisition was \$200,423.
    - In December 2016 JBFG issued a total of 307 additional shares (which equated to 3,070,000 shares after a subsequent share split on 10000:1 basis) valued at \$8,180,000.
    - In December 2016, JBFG acquired a total of 80.6% of the issued capital of King's Currency Exchange Pty Ltd (Kings) and a non-operating associate of Kings for total consideration of \$7,678,000. Kings operates the Crown Currency Exchange and King's Currency Exchange businesses which have a corporate history of more than 30 years and provide retail foreign exchange services through a network of currency exchange stores.
    - On 3 March 2017, JBFG undertook a share split of 10,000 shares for every share, resulting in an increase in shares on issue from 1,507 to 15,070,000.
    - On 26 April 2017, JBFG issued an additional 1,814,882 shares, including 734,251 to BRL, at \$5.51 per share to raise \$10,000,000.
    - On 26 April 2017 JBFG moved to 100% ownership of Kings by acquiring the final 19.6% for consideration of 1,250,502 shares in JBFG valued at \$5.51 per share, a total of \$6,890,266.
    - On 27 April 2017, JBFG acquired 100% of JB Alpha Ltd (formerly Alpha Equities & Futures Ltd) (JB Alpha). JB Alpha is an operating broker and dealer of equities and derivatives. Consideration for the acquisition was \$1,500,000 cash and the issue of 256,080 shares in JBFG valued at \$5.857 per share (\$1,500,000).
    - On 5 June 2017, JBFG acquired 100% of RSM including 62% from BRL. Consideration for the acquisition was the issue of 6,495,348 shares in JBFG at \$5.51, a total of \$35,789,367. BRL made a gain of \$11,8762,843 on the transaction which has been eliminated on consolidation.

## John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

### DIRECTORS' REPORT

- On 31 May 2017 BRL incorporated a 100% owned subsidiary, Birdzz Pty Ltd which then paid a deposit as the first step in entering into an International Multi Unit Franchise Agreement (IMUFA) for Wingstop restaurants covering Australia and New Zealand. Wingstop is a USA based brand of quick-service restaurants serving chicken and complementary side dishes. The IMUFA was formally entered into on 18 August 2017. Total consideration for the IMUFA was \$1,473,637 (USD 1,100,000).
- On 23 August 2016, BRL acquired 50% of a newly incorporated entity Growth Point Capital (GPC), which acquired an option to purchase a debt book for collection late in June 2017. On acquisition of the option, GPC obtained the right to manage and collect debt receivables. GPC has recognised the debt of balances sheet at amortised cost. For an interim period the debts will be collected via a third party collection agency on a commission basis.

#### *Performance:*

##### Investment management services:

The Company launched a listed investment company, Benjamin Hornigold Ltd (BHD) which listed on ASX on 11 May 2017 after raising \$20,000,000 in its initial public offering. The Company was appointed Investment Manager to BHD, an appointment which will deliver additional management and performance fees to the Group.

During the period the Company began charging management and performance fees to HML and BHD. Fees charged to those companies totalled \$7,814,904 and \$80,018 respectively. Management and performance fees of \$5,039,783 were also charged to a group entity, (BRL), which were eliminated on consolidation.

The Group made net gains on financial assets designated at fair value through profit or loss of \$3,207,603 during the year. This demonstrates strong performance from our underlying investment portfolio, and as an investment manager. The Company increased its holding in (HML) from 2,150,000 shares to 3,165,000 through on-market purchases, the exercise of options and by dividend re-investment. That investment resulted in an unrealised gain of \$3,023,907 during the year. The value of the shares in HML is based on the last traded price on ASX before 30 June 2017, which was on 8 June 2017, after which these shares were voluntarily suspended from trading on ASX at the request of HML. These shares remain suspended as at the date of this report.

##### Operations of investments in subsidiaries:

The Company continued to invest in both new and existing unlisted entities by incorporation of new entities and acquisitions, building a portfolio of investments in operating entities with future growth prospects. Those entities included both profitable and emerging businesses and generated an overall net loss of \$1,782,596 during the year

#### *Capital raising:*

On 6 April 2017, the Company raised \$4,108,000 through issue of 2,600,000 convertible notes with a value of \$1.58 per note. The convertible notes receive 8% interest per annum, payable six monthly. The notes are convertible at a ratio of one note for one ordinary share at the option of the holder, and will mature on 6 April 2022.

On 23 June 2017 the Company issued 5,294,117 fully paid ordinary shares at \$1.70 per share to raise \$9,000,000 through a private placement with wholesale investors.

Between 16 January 2017 and the date of this report the Company issued 1,145,000 shares at \$1.10 per share pursuant to the exercise of listed options raising \$1,259,500.

On 26 May 2017 JBL announced that it proposed to acquire all of the shares held by HML in JBFG, being, at that time, approximately 35% of JBFG's issued shares at \$7.90 per share. The proposal is conditional upon due diligence, documentation, any required regulatory and securities exchange approvals and, if required, an independent expert's report. The proposed consideration of \$42,265,000 would be payable in cash in two tranches of 50% on completion and one year later. Additional consideration would be payable under the proposed transaction if the price of shares in JBFG are demonstrated to have increased by 10% over the \$7.90 purchase price within one year. The additional consideration would be 50% of the confirmed increase in the value of the purchased shares.

JBFG is currently consolidated within the Group although the JBL had only a 16.68% effective interest in the shares of JBFG through its direct holding and indirectly through BRL, excluding its indirect economic interest through JBL's holding of 10.34% of the issued shares of HML.

#### **Subsequent events to reporting date**

On 3 July 2017 RSM acquired 100% of the issued shares in Australian Legal Support Group Pty Ltd (ALSG) for consideration of \$3,000,000. ALSG provides mercantile services and complements existing Group operations in that segment.

On 12 September 2017 JBFG acquired 100% of the issued shares in Genesis Proprietary Trading Pty Ltd (Genesis) for consideration of \$5,747,289. Genesis is one of Australia's largest proprietary trading companies, with offices in Sydney, Melbourne, Manly and Warriewood.

# John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

## DIRECTORS' REPORT

On 10 July 2017 BRL received a loan of \$400,000 at 5% pa interest repayable in 12 months or on demand.

On 18 August 2017 Birdzz Pty Ltd entered into an International Multi Unit Franchise Agreement (IMUFA) for Wingstop restaurants covering Australia and New Zealand which had been the subject of a deposit paid in May 2017 as referred to above, in *Changes in Group subsidiaries and associates*.

On 11 September 2017 a Group subsidiary received a loan of \$2,200,000 at 9.65% pa interest repayable in 12 months or on demand.

On 20 September 2017, JBFG issued 25,316 shares to the parent entity, JBL, at \$7.90, for cash of \$199,996.40 for use as working capital.

### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company.

### Dividends paid or recommended

No dividends have been paid or recommended since the end of the previous financial year.

### Future developments, prospects and business strategies

The Group will continue to operate as follows:

- i) Investment management services – JBL will continue operations with mandates to provide investment management services. JBL currently holds investment management agreements with Henry Morgan Limited (ASX Listed), Bartholomew Roberts Ltd, and Benjamin Hornigold Ltd.
- ii) Investment – the Group will continue to place investments in listed and unlisted companies to achieve targeted outperformance.

On 1 May and 12 July 2017 the Company announced its intention to seek shareholder approval to withdraw from the NSX and apply for admission to the ASX. The Directors believe the transition to a globally competitive market such as ASX will increase the coverage of research houses, enhance the profile of the Group, improve liquidity in the Company's shares and expand the potential investor base.

Further information about the likely developments in the operations of the Group and the expected results of these operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### Business risks

The following exposures to business risk may affect the Group's performance:

- Any fall in global or local equity markets, global or local bond markets or a lack of change in the value of the Australian dollar against other major currencies may discourage investors from moving money in and out of equity markets.
- The investment approach of the Group is based on the experience of the investment manager, research into past data and the application of that research into mathematical models that attempt to forecast risk and returns. There is a risk that the investment management systems may not be profitable and the Group may suffer a loss.

### Business risks

### Environmental regulation

The Group has no direct exposure to environmental regulations.

### Directors' interest

The relevant interest of each director in shares, or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the NSX in accordance with S205G(a) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Stuart McAuliffe	5,598,000	9,718,000
John McAuliffe	896,000	1,936,000
Ross Patane	-	1,040,000



**Share options****Unissued shares under options**

All options were issued in previous financial years. No options have been granted since the end of the previous financial year.

At the date of this report unissued shares of the Group under option are:

*Unissued shares of the Company*

Date of Option Expiry	Exercise Price	Number under Option
31 March 2020	\$1.10	16,418,300
31 March 2020	\$1.20	1,540,000
31 March 2020	\$1.50	1,540,000
31 March 2020	\$2.20	2,240,000
31 March 2020	\$3.50	2,240,000
		23,978,300

*Unissued shares of Group subsidiary Bartholomew Roberts Pty Ltd*

Date of Option Expiry	Exercise Price	Number under Option
22 April 2021	\$1.00	1,000,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

**Shares issued on exercise of options**

During and since the end of the financial year, the Company issued fully paid ordinary shares in the Company as a result of the exercise of options as follows.

Number of shares	Amount paid on each share
1,145,000	\$1.10

**Indemnifying officers**

During the year, the Company entered into an agreement to indemnify, and agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure all Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

**Non-audit services**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

# John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

## DIRECTORS' REPORT

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2017:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Secondment fees	28,413	-
Due diligence related services	-	5,500
	<hr/> 28,413	<hr/> 5,500

### Proceedings on behalf of 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.

The Company was not a party to any such proceedings since the end of the previous financial year.

### Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 16 of the financial report.

### Rounding off

The Group is a company of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016, in accordance with that instrument, amounts in this financial report and Directors' report have been rounded to the nearest dollar, unless otherwise stated.

### Remuneration report (Audited)

This Remuneration Report outlines the remuneration arrangements of John Bridgeman Limited for the year ended 30 June 2017.

The report details the remuneration arrangements for the key management personnel (KMP) within the Group. KMP are defined as those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any director.

During the 2017 financial year, the KMP for the Group comprised the Directors of the Company, the Chief Financial Officer, and Chief Operating Officer, as set out below.

The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001*.

The remuneration policy of John Bridgeman Limited has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives in the form of options. The Board of John Bridgeman Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is developed and approved by the Board.
- All executive KMP receive a base salary (which is based on factors such as relevant industry experience), superannuation, fringe benefits and, in prior periods, the Directors were granted options over shares.
- All non-executive KMP receive fixed directors' fees and have been granted options.
- Incentives paid in the form of options are intended to align the interests of the KMP and Group with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of executive KMP is measured against criteria agreed with each executive. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

# John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

## DIRECTORS' REPORT

Executive KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE).

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Options granted in the Company do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share. In addition to this, KMP must not deal in the Company's securities when they possess non-public price sensitive information. The fair value of options is measured using the Monte Carlo simulation methodology.

Options granted in Bartholomew Roberts Limited (BRL), a controlled entity, do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share on or before 22 April 2021. In addition to this, KMP must not deal in the Company's securities when they possess non-public price sensitive information. The fair value of options is measured using the Monte Carlo simulation methodology.

In addition, the Board's remuneration policy prohibits directors and KMP from using John Bridgeman Limited shares as collateral in any financial transaction, including margin loan arrangements.

### Performance-based remuneration and performance conditions

Options held by KMP were granted in the previous financial year. There are no performance hurdles in relation to these options except for the Company's share price.

Executive KMP's, other than the Managing Director, may be awarded performance-based remuneration in the form of a discretionary bonus at the discretion of the Managing Director. No such performance-based remuneration was awarded in the year ended 30 June 2017.

There are currently no performance conditions linked to remuneration for non-executive directors.

### Relationship between remuneration policy and Group performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. However, the incentive element of remuneration for KMP executives based on Group performance has not yet been set by the Board. The method applied to achieve this aim is issue of options to the Directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

### Consequence of the Company's performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year.

	2017	2016	2015
	\$	\$	\$
Net profit/(loss) after tax	4,424,050	(930,922)	(212,595)
Dividends paid	Nil	Nil	Nil
Operating income growth	N/A	N/A	N/A
Change in share price	0.70	0.30	N/A
Return on average capital employed	14.95%	(12.24)%	N/A

### Employment details of members of Key Management Personnel

The following table provides employment details of persons who were, during the financial period, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

2017	Position Held as at 30 June 2017 and any change during the period	Contract Details (Duration and Termination)	Fixed remuneration	At risk		Total
			%	Short-term incentive	Long-term incentive	
<i>Directors</i>						
Stuart McAuliffe	Managing Director	No fixed term	100	-	-	100
John McAuliffe	Chairman	No fixed term	100	-	-	100
Ross Patane	Non-Executive Director	No fixed term	100	-	-	100

John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

DIRECTORS' REPORT

2017	Position Held as at 30 June 2017 and any change during the period	Contract Details (Duration and Termination)	Fixed remuneration	At risk		Total
				Short-term incentive	Long-term incentive	
<b>Executives</b>						
Ben McLaren <sup>1</sup>	CFO	No fixed term	100	-	-	100
Rachel Weeks <sup>2</sup>	COO	No fixed term	100	-	-	100

2016	Position Held as at 30 June 2016 and any change during the Period	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Not Related to Performance		
			Options	Fixed Salary	Total
			%	%	%
<b>Current KMP</b>					
Stuart McAuliffe	Managing Director	No fixed term	52	48	100
John McAuliffe	Chairman	No fixed term	-	100	100
Ross Patane	Non-Executive Director	No fixed term	-	100	100
<b>Previous KMP</b>					
Simon Richardson	Executive Director	Resigned 31 March 2016	-	100	100

The employment terms and conditions of all Executive KMP are formalised in contracts of employment.

A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 1 months' written notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

**Remuneration expense details for the period ended 30 June 2017**

The following table of benefits and payments represents the components of the current period remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

**Table of benefits and payments**

Details of the nature and amount of each major element of remuneration of each director of the company, and other KMP of the consolidated entity are:

2017	Short-term Benefits				Post-employment Benefits	Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments	Termination Benefits	Total
	Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Super and Super Equivalents	Other	LSL	Shares/Units	Options/Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Directors</b>												
Stuart McAuliffe	340,822	-	21,335	-	32,378	23,140	-	-	-	-	-	417,695
John McAuliffe	40,000	-	-	-	3,800	-	-	-	-	-	-	43,800
Ross Patane	40,000	-	-	-	3,800	-	-	-	-	-	-	43,800
<b>Total directors' remuneration</b>	<b>420,822</b>	<b>-</b>	<b>21,355</b>	<b>-</b>	<b>39,978</b>	<b>23,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>505,295</b>
<b>Executives</b>												
Ben McLaren, CFO	58,333	-	-	-	5,542	4,487	-	-	-	-	-	68,362
Rachel Weeks, COO	169,104	-	10,447	-	16,065	13,008	-	-	-	-	-	208,624
<b>Total executives' remuneration</b>	<b>227,437</b>	<b>-</b>	<b>10,447</b>	<b>-</b>	<b>21,607</b>	<b>17,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276,986</b>
<b>Total directors' and executive officers remuneration</b>	<b>648,259</b>	<b>-</b>	<b>31,802</b>	<b>-</b>	<b>61,585</b>	<b>40,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>782,281</b>

<sup>1</sup> Ben McLaren commenced employment with John Bridgeman Limited as Chief Financial Officer on 1 May 2017.

<sup>2</sup> Rachel Weeks commenced employment with John Bridgeman Limited as Chief Operating Officer on 1 December 2016.

John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

DIRECTORS' REPORT

2016	Short-term Benefits				Post-employment Benefits Super and Super Equivalents	Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments	Termination Benefits	Total
	Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other		Other	LSL	Shares/Units	Options/Rights			
	\$	\$	\$	\$		\$	\$	\$	\$			
<b>Directors</b>												
Stuart McAuliffe	96,728	-	-	-	9,189	7,917	-	-	125,000	-	-	238,834
John McAuliffe	36,834	-	-	-	3,499	-	-	-	-	-	-	40,333
Ross Patane	36,834	-	-	-	3,499	-	-	-	-	-	-	40,333
<i>Previous KMP</i>												
Simon Richardson	26,788	-	-	-	2,545	-	-	-	-	-	-	29,333
<b>Total directors' remuneration</b>	197,184	-	-	-	18,732	7,917	-	-	125,000	-	-	348,833

**Cash bonuses, performance-related bonuses and share-based payments**

The terms and conditions relating to options and bonuses granted as remuneration to KMP during the period are as follows:

2017	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant <sup>1</sup>	Percentage Vested/Paid during Period % <sup>2</sup>	Percentage Forfeited during Period %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
Stuart McAuliffe	-	-	-	-	-	-	-	-	-
John McAuliffe	-	-	-	-	-	-	-	-	-
Ross Patane	-	-	-	-	-	-	-	-	-
Ben McLaren, CFO	-	-	-	-	-	-	-	-	-
Rachel Weeks, COO	-	-	-	-	-	-	-	-	-

2016	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant <sup>1</sup>	Percentage Vested/Paid during Period % <sup>2</sup>	Percentage Forfeited during Period %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
Stuart McAuliffe	Options package	21 June 2016	125,000	-	100	-	-	22 April 2021	-
John McAuliffe	-	-	-	-	-	-	-	-	-
Ross Patane	-	-	-	-	-	-	-	-	-
<i>Previous KMP</i>									
Simon Richardson	-	-	-	-	-	-	-	-	-

<sup>1</sup>The options have been granted by Bartholomew Roberts Ltd, a controlled entity of John Bridgeman Limited, as part of the remuneration of the Managing Director. The options have a strike price of \$1.00 and are exercisable at any time up to the expiry date.

<sup>2</sup>The dollar value of the percentage vested/paid during the year has been reflected in the Table of Benefits and Payments.

**Options granted as remuneration**

All options refer to options over ordinary shares of John Bridgeman Limited (unless otherwise stated), and are exercisable on a one-for-one basis.

# John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

## DIRECTORS' REPORT

### Options over equity instruments

The movement during the year, by number of options over ordinary shares in John Bridgeman Limited (unless otherwise stated) held, directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

	Held at 1 July 2016	Granted as compensation	Exercised	Lapsed	Forfeited	Held at 30 June 2017	Vested during the year	Vested and exercisable at 30 June 2017	Vested and unexercisable at 30 June 2017
<b>Current KMP</b>									
Stuart McAuliffe	8,630,000	-	-	-	-	8,630,000	-	5,550,000	3,080,000
John McAuliffe	1,936,000	-	-	-	-	1,936,000	-	896,000	1,040,000
Ross Patane	1,040,000	-	-	-	-	1,040,000	-	-	1,040,000
Ben McLaren, CFO	-	-	-	-	-	-	-	-	-
Rachel Weeks, COO	-	-	-	-	-	-	-	-	-
	11,606,000	-	-	-	-	11,606,000	-	6,446,000	5,160,000

### Description of options issued as remuneration affecting current and future periods

Details of the options granted as remuneration to KMP in the previous year are as follows:

Grant Date	Issuer	Entitlement to ordinary shares per option on Exercise	Dates Exercisable <sup>1</sup>	Exercise Price \$	Value per Option at Grant Date <sup>1</sup> \$	Amount Paid/ Payable by Recipient \$
21 June 2016	Bartholomew Roberts Limited	1	21 June 2016	1.00	0.125	Nil
10 March 2015	John Bridgeman Limited	1	6 August 2017	1.20	0.0785	Nil
10 March 2015	John Bridgeman Limited	1	6 August 2017	1.50	0.0417	Nil
10 March 2015	John Bridgeman Limited	1	6 August 2017	2.20	0.0110	Nil
10 March 2015	John Bridgeman Limited	1	6 August 2017	3.50	0.00127	Nil

<sup>1</sup> Option values at grant date were determined using the Monte Carlo simulation method.

There were no criteria required to be met for the options to vest as such they have already vested.

The number of ordinary shares of John Bridgeman Limited held by each KMP of the Group during the financial period is as follows:

	Balance at 1 July 2016	Granted as Remuneration during the Period	Issued on Exercise of Options during the Period	Other Changes during the Period	Balance at 30 June 2017
<b>Current KMP</b>					
Stuart McAuliffe	5,550,000	-	-	-	5,550,000
John McAuliffe	896,000	-	-	-	896,000
Ross Patane	-	-	-	-	-
Ben McLaren, CFO	-	-	-	-	-
Rachel Weeks, COO	-	-	-	60,000	60,000
	6,446,000	-	-	-	6,506,000

The number of options of John Bridgeman Limited held by each KMP of the Group during the financial period is as follows:

	Balance at 1 July 2016	Granted as Remuneration during the Period	Issued on Exercise of Options during the Period	Other Changes during the Period	Balance at 30 June 2017
<b>Current KMP</b>					
Stuart McAuliffe	8,630,000	-	-	-	8,630,000
John McAuliffe	1,936,000	-	-	-	1,936,000
Ross Patane	1,040,000	-	-	-	1,040,000
Ben McLaren, CFO	-	-	-	-	-
Rachel Weeks, COO	-	-	-	-	-
	11,606,000	-	-	-	11,606,000

### Other equity-related KMP transactions

There have been no other transactions during the year involving equity instruments other than those described in the tables above relating to options, rights and shareholdings. (2016: 1,000,000 options over shares in subsidiary BRL were issued to the Managing director Stuart McAuliffe).

John Bridgeman Limited ACN 603 477 185

Financial report for the year ended 30 June 2017

DIRECTORS' REPORT

**Other transactions with KMP and/or their related parties**

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



---

Mr Stuart McAuliffe, Managing Director

Dated: 29 September 2017

## **CORPORATE GOVERNANCE SUMMARY**

John Bridgeman Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of Shareholders.

The Board of Directors of John Bridgeman Limited are responsible for establishing the corporate governance framework of the Company having regard to the Corporations Act 2001 (Cth) and applicable Listing Rules.

This corporate governance statement summarises the corporate governance practices adopted by the Company.

The current corporate governance statement is posted on the Company's website at <http://www.johnbridgeman.com.au/>.

### **Summary of corporate governance practices**

The Company's main corporate governance policies and practices are outlined below:

#### **The Board of Directors**

The Company's Board of Directors is responsible for overseeing the activities of the Company. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The Board assumes the following responsibilities:

- (a) Appointment of the Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- (b) Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (c) Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (d) Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (e) Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- (f) Approving the annual, half-yearly and quarterly accounts;
- (g) Approving significant changes to the organisational structure;
- (h) Approving the issue of any shares, options, equity instruments or other securities in the Company;
- (i) Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- (j) Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- (k) Meeting with the external auditor, at their request, without management being present.

#### **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and
- (b) The principal criterion for the appointment of new Directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. At least 50% of the Board is to be comprised of Non-Executive Directors and where appropriate, at least 50% of the Board should be independent. Directors of the Company are considered to be independent when they are a Non-Executive Director (i.e. not a member of management and have



**John Bridgeman Limited ACN 603 477 185**  
**CORPORATE GOVERNANCE STATEMENT**

been for the preceding three years), hold less than 10% of the voting shares of the Company and are free of any business relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr S McAuliffe and Mr J McAuliffe are not considered independent.

The term in office held by each director in office at the date of this report is as follows

Stuart McAuliffe	2 years, 8 months	Executive Director
John McAuliffe	2 years, 6 Months	Non-executive Chairman
Ross Patane	2 years, 6 months	Non-Executive Director

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

**Remuneration arrangements**

Review of the Company's remuneration policy is the responsibility of the Board.

The total maximum remuneration of Non-Executive Directors, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$200,000 per annum. The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

**Performance**

The Board has established formal practices to evaluate the performance of the Board, committees, Non-Executive Directors, the Managing Director and senior management. Details of these practices are described in the Corporate Governance Statement available on the Company's website. No formal performance evaluation of the Board or individual Directors took place during the year.

**Code of Conduct**

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for Directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Directors are subject to additional code of conduct requirements which includes highlighting situations which may constitute a conflict of interest for Directors. Directors have a responsibility to avoid any conflict from arising that could compromise their ability to perform their duties impartially. Any actual or potential conflicts of interest must be reported to the Board or superior.



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of John Bridgeman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of John Bridgeman Limited for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

Simon Crane  
*Partner*

Brisbane  
29 September 2017

## TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	19
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	20
CONSOLIDATED STATEMENT OF CASH FLOWS.....	22
A. ABOUT THIS REPORT .....	23
A1. REPORTING ENTITY .....	23
A2. BASIS OF ACCOUNTING .....	23
A3. USE OF JUDGEMENTS AND ESTIMATES.....	23
B. GROUP PERFORMANCE.....	25
B1. REVENUE AND OTHER INCOME .....	25
B2. EXPENSES.....	26
B3. SEGMENTS .....	27
B4. EARNINGS PER SHARE .....	28
B5. INCOME TAX AND DEFERRED TAX .....	28
C. OPERATING ASSETS AND LIABILITIES .....	30
C1. CASH AND CASH EQUIVALENTS.....	30
C2. INVENTORY .....	31
C3. TRADE AND OTHER RECEIVABLES .....	31
C4. OTHER CURRENT ASSETS.....	31
C5. OTHER NON-CURRENT ASSETS .....	32
C6. TRADE AND OTHER PAYABLES .....	32
C7. BORROWINGS .....	32
C8. PROVISIONS.....	33
C9. PROPERTY, PLANT AND EQUIPMENT.....	33
C10. INTANGIBLE ASSETS.....	34
D. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT .....	36
D1. FINANCIAL INSTRUMENTS .....	36
D2. FINANCIAL RISK MANAGEMENT .....	38
E. CAPITAL STRUCTURE AND FINANCING .....	42
E1. CAPITAL AND RESERVES .....	42
E2. ACQUISITIONS OF SUBSIDIARIES .....	44
E3. LIST OF CONSOLIDATED ENTITIES.....	49
E4. NCI .....	50
E5. PARENT ENTITY DISCLOSURES .....	51
F. OTHER .....	52
F1. EMPLOYEE BENEFITS (INCLUDING KEY MANAGEMENT PERSONNEL) .....	52
F2. RELATED PARTY TRANSACTIONS.....	52
F3. OPERATING LEASE COMMITMENTS.....	54
F4. AUDITORS' REMUNERATION.....	54
F5. SUBSEQUENT EVENTS.....	54
F6. SIGNIFICANT ACCOUNTING POLICIES & NEW ACCOUNTING STANDARDS.....	54

**John Bridgeman Limited ACN 603 477 185**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Income</b>			
Management and performance fee income	B1	7,894,922	-
Net gain / (loss) on financial instruments at fair value through profit or loss	B1	3,207,603	(194,397)
Operating revenue	B1	9,165,979	8,230
Other income	B1	851,675	-
<b>Total income</b>		<u>21,120,179</u>	<u>(186,167)</u>
<b>Expenses</b>			
Operating expenses	B2	(1,750,882)	(41,982)
Employee benefits expense	B2	(6,726,387)	(283,095)
Administrative expenses	B2	(3,335,662)	(560,079)
Other expenses	B2	(2,951,757)	(204,994)
<b>Total expenses</b>		<u>(14,764,688)</u>	<u>(1,090,150)</u>
<b>Profit / (loss) before income tax</b>		6,355,491	(1,276,317)
Income tax (expense) / benefit	B5	(1,931,441)	345,395
<b>Profit / (loss) for the year</b>		<u>4,424,050</u>	<u>(930,922)</u>
<b>Profit / (loss) for the year attributable to:</b>			
Owners of the Company		4,023,200	(931,485)
Non-controlling interests	E4	400,850	563
		<u>4,424,050</u>	<u>(930,922)</u>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss		-	-
Foreign currency translation differences on foreign operations		(1,410)	-
<b>Other comprehensive income for the period</b>		<u>(1,410)</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the period</b>		<u>4,422,640</u>	<u>(930,922)</u>
<b>Total comprehensive income / (loss) attributable to:</b>			
Owners of the Company		4,021,790	(931,485)
Non-controlling interests	E4	400,850	563
		<u>4,422,640</u>	<u>(930,922)</u>
<b>Earnings per share</b>			
- Basic earnings per share (cents)	B4	22.2	(6.52)
- Diluted earnings per share (cents)	B4	15.6	(6.52)

The accompanying notes form part of these consolidated financial statements.

**John Bridgeman Limited ACN 603 477 185**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	C1	11,643,090	1,868,573
Inventory	C2	48,039	-
Trade and other receivables	C3	17,063,763	5,738,259
Other current assets	C4	395,692	13,992
Purchased debt ledgers	D1	700,212	-
Term deposits		593,793	30,000
<b>TOTAL CURRENT ASSETS</b>		<b>30,444,589</b>	<b>7,650,824</b>
NON-CURRENT ASSETS			
Financial assets held at fair value	D1	6,670,679	2,089,250
Purchased debt ledgers	D1	2,099,788	-
Property, plant and equipment	C9	4,302,449	5,681
Intangibles	C10	32,985,886	434,226
Deferred tax assets	B5	3,114,550	405,113
Other non-current assets	C5	91,113	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>49,264,465</b>	<b>2,934,270</b>
<b>TOTAL ASSETS</b>		<b>79,709,054</b>	<b>10,585,094</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Bank overdraft	D2	332,822	-
Trade and other payables	C6	8,378,468	117,253
Borrowings	C7	1,896,121	-
Provisions	C8	792,138	38,330
Provision for income tax		3,199,492	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,599,041</b>	<b>155,583</b>
NON-CURRENT LIABILITIES			
Borrowings	C7	5,813,467	-
Trade and other payables	C6	1,212,283	-
Provisions	C8	542,342	-
Deferred tax liabilities	B5	1,069,171	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,637,263</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>23,236,304</b>	<b>155,583</b>
<b>NET ASSETS</b>		<b>56,472,750</b>	<b>10,429,511</b>
<b>EQUITY</b>			
Share capital	E1	20,216,505	10,033,968
Reserves	E1	(6,003,026)	212,595
Retained earnings		2,879,120	(1,144,080)
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>17,092,599</b>	<b>9,102,483</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>E4</b>	<b>39,380,151</b>	<b>1,327,028</b>
<b>TOTAL EQUITY</b>		<b>56,472,750</b>	<b>10,429,511</b>

The accompanying notes form part of these consolidated financial statements.

**John Bridgeman Limited ACN 603 477 185**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

Note	Share capital	Retained earnings / (accumulated losses)	Employee equity based payment reserve	Shareholder change in interest reserve	Convertible debt reserve	Non-controlling interests	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening Balance at 1 July 2016</b>	10,033,968	(1,144,080)	212,595	-	-	1,327,028	-	10,429,511
<b>Comprehensive income</b>								
Profit for the year	-	4,023,200	-	-	-	400,850	-	4,424,050
Other comprehensive income	-	-	-	-	-	-	(1,410)	(1,410)
<b>Total comprehensive income</b>	-	4,023,200	-	-	-	400,850	(1,410)	4,422,640
<b>Transactions with owners of the Company</b>								
<b>Contributions</b>								
Shares issued during the year	E1 10,232,798	-	-	-	-	-	-	10,232,798
Costs associated with capital raising (net of tax)	E1 (50,261)	-	-	-	-	-	-	(50,261)
Issue of convertible notes (equity portion)	-	-	-	-	261,184	-	-	261,184
<b>Total contributions</b>	10,182,537	-	-	-	261,184	-	-	10,443,721
<b>Changes in ownership interests</b>								
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	37,652,273	-	37,652,273
Purchase of NCI in subsidiaries	-	-	-	(6,475,395)	-	-	-	(6,475,395)
<b>Total changes in ownership interests</b>	-	-	-	(6,475,395)	-	37,652,273	-	31,176,878
<b>Total transactions with owners of the Company</b>	10,182,537	-	-	(6,475,395)	261,184	37,652,273	-	41,620,598
<b>Balance at 30 June 2017</b>	20,216,505	2,879,120	212,595	(6,475,395)	261,184	39,380,151	(1,410)	56,472,750

The accompanying notes form part of these consolidated financial statements.

**John Bridgeman Limited ACN 603 477 185**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

Note	Share capital	Retained earnings/ (losses)	Employee Equity Based Payment reserve	Shareholder change in interest reserve	Convertible debt reserve	Non- controlling interests	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening Balance at 1 July 2015</b>	7,400	(212,595)	212,595	-	-	-	-	7,400
<b>Comprehensive income</b>				-	-		-	
Loss for the year	-	(931,485)	-	-	-	563	-	(930,922)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	(931,485)	-	-	-	563	-	(930,922)
<b>Transactions with owners of the Company</b>				-	-		-	
<b>Contributions and distributions</b>				-	-		-	
Shares issued during the year	E1 10,163,300	-	-	-	-	-	-	10,163,300
Costs associated with capital raising (net of tax)	E1 (136,732)	-	-	-	-	-	-	(136,732)
Share based payments	F1 -	-	-	-	-	125,000	-	125,000
<b>Total contributions and distributions</b>	10,026,568	-	-	-	-	125,000	-	10,151,568
<b>Changes in ownership interests</b>				-	-		-	
Acquisition of subsidiary with NCI	-	-	-	-	-	1,201,465	-	1,201,465
<b>Total changes in ownership interests</b>	-	-	-	-	-	1,201,465	-	1,201,465
<b>Total transactions with owners of the Company</b>	10,026,568	-	-	-	-	1,326,465	-	11,353,033
<b>Balance at 30 June 2016</b>	10,033,968	(1,144,080)	212,595	-	-	1,327,028	-	10,429,511

The accompanying notes form part of these consolidated financial statements.

**John Bridgeman Limited ACN 603 477 185**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		11,599,131	21,510
Payments to suppliers and employees		(8,222,293)	(830,972)
Proceeds from sale of investments		2,693,571	1,827,031
Payments for purchase of investments		(4,371,357)	(7,050,000)
Payments for purchased debt ledgers		(2,800,000)	-
Interest received		12,584	2,054
Interest paid		(78,093)	-
Dividends received		592,699	-
Tax paid		(919,012)	-
Net cash used in operating activities	C1	<u>(1,492,770)</u>	<u>(6,030,377)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchases of property, plant and equipment		(1,496,482)	(698)
Payments for purchases of equity investments		-	(1,600,000)
Payments for purchase of intangible assets		(1,169,344)	-
Payments for purchase of subsidiaries, net of cash acquired		(8,273,093)	(445,720)
Payments for purchase of financial assets held as security		-	(30,000)
Net cash used in financing activities		<u>(10,938,919)</u>	<u>(2,076,418)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		7,357,826	10,163,300
Issue of shares to non-controlling interest, net of returns of capital		9,871,398	-
Share issue transaction costs		(71,802)	(195,332)
Proceeds from issue of convertible notes		3,848,950	-
Borrowings		3,201,439	-
Payment of pre-acquisition dividends		(2,001,213)	-
Net cash provided by financing activities		<u>22,206,598</u>	<u>9,967,968</u>
Net increase in cash held		9,774,909	1,861,173
Cash and cash equivalents at beginning of year		1,868,573	7,400
Foreign exchange impact		(392)	-
Cash and cash equivalents at end of year	C1	<u>11,643,090</u>	<u>1,868,573</u>

The accompanying notes form part of these consolidated financial statements.



**A. ABOUT THIS REPORT**

**A1. REPORTING ENTITY**

John Bridgeman Limited (the 'Company') is a public Company domiciled in Australia. Its registered office is at Level 9, 123 Eagle Street, Brisbane QLD 4000.

These consolidated financial statements as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is a for-profit entity and is primarily involved in investment management services and investing in listed and unlisted companies.

The financial statements were authorised for issue by the Board of Directors on 29 September 2017.

**A2. BASIS OF ACCOUNTING**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on the historical cost basis unless the application of fair value measurement is required by relevant accounting standards.

The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

The consolidated financial report of the Group is prepared on a going concern basis.

All amounts have been rounded to the nearest whole dollar unless otherwise stated.

**A3. USE OF JUDGEMENTS AND ESTIMATES**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

*Purchase Debt Ledgers (PDLs)*

PDLs are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, PDLs are measured at amortised cost using the effective interest method, less any impairment losses. The acquisition of the PDL portfolios occurred on the 25 May and 30 June 2017, and as such, the carrying value of PDLs as at 30 June 2017 is estimated to equal its initial fair value plus any directly attributable acquisition costs.

Prospectively, management will monitor the performance and key estimates used in determining whether any objective evidence exists that a PDL may be impaired. This will include:

- re-forecasting expected future cash flows regularly. An impairment is recognised where actual performance and re-forecast future cash flows deviate to below the initial effective interest rate.
- regular assessment of the estimated forecast amortisation rate applied to PDLs.

*Determination of entities for consolidation*

All entities treated as subsidiaries in the consolidated financial statements are less than 50% held by JBL. The entities are consolidated on the basis of the power the Group has over investees and the extent of exposure the Group has to variable returns from investees. The Directors believe that the consolidated Financial Report is the most appropriate presentation of the performance and financial position of the Group entities even though there is a large component of non-controlling interest (70%) in Group equity.

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

*Carrying value of goodwill*

All of the Group's goodwill is contained within JBFG and its subsidiaries. The Group has evaluated the recoverability of goodwill with reference to the Director's assessment of the fair value less costs of sale of JBFG and its subsidiaries. The fair value has been determined from management forecasts and the application of a multiple of 14.9 in anticipation of an exchange listing. The result of which has been discounted for current liquidity.

PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity. Supplementary information about the parent entity is disclosed in Note.

**B. GROUP PERFORMANCE****B1. REVENUE AND OTHER INCOME**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

- **Net gain on investments** – Gains and losses arising from changes in the fair value of investments held will be recognised in the statement of profit or loss and other comprehensive income in the period in which they arise. Accounting policy information and valuation techniques applied in the measurement of fair values is disclosed in Note D1.
- **Provision of services** – Revenue recognition relating to the provision of services is determined in proportion to the stage of completion of the transaction at reporting date. When the outcome cannot be measured reliably, revenue is recognised only to the extent that related expenditure is recoverable.
- **Brokerage and commissions income** – Brokerage and commission income consists of fees earned from undertaking requested investing activities, and are recognised as services are performed. Where commission and brokerage revenue is subject to meeting certain performance hurdles they are recognised when it is highly probable those conditions will not affect the outcome.
- **Management fee and performance fee income** – Management fees are recognised in accordance with agreements entered into with counterparties to whom management services are provided. Management fees for ongoing management services are charged on a regular basis and recognised at the time the services are provided. Performance fees are recognised when financial performance outcomes of the underlying investment companies can be reliably measured. Performance fees are accrued when any outperformance of stated benchmarks within the respective investment company disclosure document are exceeded.
- **Foreign currency exchange revenue** – Foreign currency revenue is the difference between the cost and selling price of currency (foreign currency margin) and the revaluation of open foreign exchange positions to fair value. Foreign currency margin revenue is recognised as earned when the transaction is completed.
- **Interest revenue** – Interest revenue is recognised as it accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

	<b>2017</b>	<b>2016</b>
	\$	\$
<b><i>Management and performance fee income</i></b>		
Management fees	785,600	-
Performance fees	7,109,322	-
	<hr/> 7,894,922	<hr/> -
<b><i>Net profit / (loss) on financial instruments at fair value through profit of loss</i></b>		
Net realised gains/(losses)	196,900	(133,647)
Net unrealised gains/(losses)	3,010,703	(60,750)
	<hr/> 3,207,603	<hr/> (194,397)
<b><i>Operating revenue</i></b>		
Foreign currency exchange revenue	4,328,682	-
Professional services	3,788,904	6,156
Brokerage and commission	1,031,414	-
Interest income	16,979	2,074
	<hr/> 9,165,979	<hr/> 8,230

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	<b>2017</b>	<b>2016</b>
	\$	\$
<b><i>Other income</i></b>		
Dividend income	592,699	-
Net foreign exchange rate gains	148,002	-
Share of profits of associates accounted for using the equity method*	83,771	-
Other income	27,203	-
	<hr/> 851,675	<hr/> -

\*The Group had significant influence over one of its investees during part of the year (22 November 2016 to 11 May 2017). As such, the Group is required to record its share of investees' profit or loss for the period from that period. The investee had become a subsidiary on 11 May 2017 and was consolidated in these financial statements as at the end of the period.

**B2. EXPENSES**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b><i>Operating expenses</i></b>		
Commissions paid to investment brokers	279,907	41,982
Dealing expenses	2,836	-
Depreciation and amortisation	379,360	-
Interest expense	91,217	-
Rental expenses	997,562	-
	<hr/> 1,750,882	<hr/> 41,982
<b><i>Employee benefits expenses</i></b>		
Short term benefits and fees	6,020,677	145,362
Post-employment benefits	563,342	12,733
Long term benefits	142,368	-
Share-based payments	-	125,000
	<hr/> 6,726,387	<hr/> 283,095
<b><i>Administrative expenses</i></b>		
Directors fee expenses	131,667	121,417
Professional services expenses	3,047,333	419,496
Insurance expenses	156,662	19,166
	<hr/> 3,335,662	<hr/> 560,079
<b><i>Other expenses</i></b>		
Travel expenses	781,569	27,923
Management fees	503,978	-
Advertising	377,657	-
Printing and stationery	103,700	-
Other	1,184,853	177,071
	<hr/> 2,951,757	<hr/> 204,994

**B3. SEGMENTS**

Operating segments are identified based on separate financial information which is regularly reviewed by the Managing Director and his immediate executive team (representing the Chief Operating Decision Maker) in assessing performance and determining the allocation of resources.

During the year ended 30 June 2017, the Group expanded substantially from its investment management roles with the acquisition of operating entities as part of a strategy to invest in operations which can deliver significant gains through synergies and by liquidity events such as initial public offerings. As a result, the Group is considered to have operated the following two segments as at and the year ended 30 June 2017:

- Investment Management Services: The segment consists of the Group's provision of investment management services for clients and management of its own listed equity investments
- Operations of investments in subsidiaries: The segment consists of the operational activities of entities included in the consolidated Group in accordance with AASB 10 *Consolidated Financial Statements*.

The Group also operated in two segments for the year ended 30 June 2016.

The Group operates materially in only one geographical segment being Australia.

2017	Investment Management Services	Operations of investments in subsidiaries	Total
	2017	2017	2017
	\$	\$	\$
External revenues	11,697,703	9,422,476	21,120,179
Inter-segment revenue	5,132,011	2,224,866	7,356,877
Segment revenue	16,829,714	11,647,342	28,477,056
Segment profit (loss) before tax	8,138,087	(1,782,596)	6,355,491
Income tax expense	(2,359,326)	427,885	(1,931,441)
Interest income	472	16,508	16,980
Interest expense	(90,387)	(830)	(91,217)
Depreciation and amortisation	(31,544)	(347,816)	(379,360)
Share of profit (loss) of equity-accounted investees	-	83,771	83,771
<b>Segment assets</b>	31,899,874	46,194,429	78,094,303
<b>Segment liabilities</b>	11,970,752	9,650,801	21,621,553

2016	Investment Management Services	Operations of investments in subsidiaries	Total
	2016	2016	2016
	\$	\$	\$
External revenues	(194,397)	6,156	(186,167)
Inter-segment revenue	-	-	-
Segment revenue	(194,397)	6,156	(186,167)
Segment profit (loss) before tax	(1,152,726)	(123,591)	(1,276,317)
Income tax expense	308,318	37,077	345,395
Interest income	2,074	-	2,074
Interest expense	-	-	-
Depreciation and amortisation	(17)	-	(17)
<b>Segment assets</b>	8,880,235	1,704,859	10,585,094
<b>Segment liabilities</b>	103,598	51,985	155,583

**B4. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding for the period from the date of listing to the reporting date.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue and ordinary shares that the Company expects to issue through the exercise of outstanding options for the reporting period. Anti-dilutive options were excluded from the dilutive EPS calculation.

	<b>2017</b>	<b>2016</b>
	\$	\$
a. Reconciliation of earnings to profit / (loss):		
Profit / (loss) attributable to ordinary equity holders	4,023,200	(930,922)
Earnings used to calculate basic EPS	<u>4,023,200</u>	<u>(930,922)</u>
Earnings used in the calculation of dilutive EPS	<u>4,023,200</u>	<u>(930,922)</u>
	<b>No.</b>	<b>No.</b>
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	18,117,183	14,273,281
Weighted average number of dilutive options and convertible notes outstanding	7,660,096	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>25,777,279</u>	<u>14,273,281</u>
c. Basic earnings per share (cents)	22.2	(6.52)
Diluted earnings per share (cents)	15.6	(6.52)

In the calculation of diluted earnings per share, only those options with an exercise price lower than the average market price of ordinary shares of the Company during the period are considered when calculating the effect of options.

**B5. INCOME TAX AND DEFERRED TAX**

The income tax expense / (benefit) for the year comprises current income tax income and deferred tax income.

Current income tax expense / (benefit) charged to profit or loss is the tax payable on taxable income. Current tax liabilities / (assets) are measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / (benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Income tax**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Tax expense / (benefit)</b>		
Current tax	(1,650,374)	(286,333)
Deferred tax	3,581,815	(59,062)
Income tax expense / (benefit)	<u>1,931,441</u>	<u>(345,395)</u>

**Numerical reconciliation between income tax and result before tax**

Profit / (Loss) before tax	<u>6,335,491</u>	<u>(1,276,317)</u>
Income tax using domestic corporate tax rate 30% (2016: 30%)	1,906,647	(382,895)
Increase in income tax expense due to:		
Permanent differences	107,327	37,500
Franking credits received	(79,372)	-
Differential tax rates across jurisdictions	(3,161)	-
<b>Income tax expense / (benefit)</b>	<u>1,931,441</u>	<u>(345,395)</u>

The Group recognised \$10,108 of deferred tax directly in equity (\$58,600 in 2016).

**Deferred tax**

In line with our existing accounting policy, the Company has exercised judgement in determining the extent of recognition of deferred tax balances.

The deferred tax asset figure in the statement of financial position is comprised of:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets and liabilities</b>		
Tax losses carried forward	2,226,316	287,451
Doubtful debts provisions	24,704	-
Unrealised losses on financial assets	-	18,225
Short term provisions and other payables	700,211	16,462
Capital raising costs (deductible over 5 years)	93,089	82,981
Unrealised gains on financial assets	(883,891)	-
Property, plant and equipment	(5,883)	-
Interest receivable	(45,690)	(6)
Other current assets	(63,477)	-
<b>Deferred tax assets and liabilities</b>	<u>2,045,379</u>	<u>405,113</u>

**C. OPERATING ASSETS AND LIABILITIES****C1. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short term highly liquid investments with maturities of 3 months or less. They are measured at gross value of the outstanding balance.

The Group holds cash in foreign currencies as stock for its currency exchange businesses. Foreign currency held as stock is accounted for at the Australian dollar equivalent based on the prevailing exchange rate at the close of business on the balance date. Foreign exchange gains and losses from the translation at year end exchange rates are recognised in profit or loss and classified as Other income (refer Note B1).

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
a. Components of cash and cash equivalents			
Cash at bank		8,879,914	1,868,573
Currency held as stock		2,763,176	-
		<u>11,643,090</u>	<u>1,868,573</u>
b. Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities			
Profit / (loss) after income tax		4,424,050	(930,922)
Adjustments for:			
Unrealised losses on investments		(3,007,055)	60,750
Share options issued		-	125,000
Depreciation		379,360	17
Tax effect of listing costs capitalised		-	58,600
		<u>1,796,355</u>	<u>(686,555)</u>
Changes in:			
Trade and other receivables		(8,617,614)	(5,784,666)
Inventory		(48,039)	-
Prepayments		(1,036,607)	(13,992)
Deferred tax asset		6,618	(405,113)
Financial assets held at fair value		(4,374,374)	750,000
Payables		9,401,120	98,615
Provisions		1,379,379	11,334
Effect of foreign exchange		392	-
Net cash used in operating activities		<u>(1,492,770)</u>	<u>(6,030,377)</u>

## c. Non-cash financing or investing activities

During the year ended 30 June 2017 the following non-cash investing activities occurred with parties outside of the Group. See the Review of operations in the Director's report for details of non-cash investing activities within the Group:

- On 11 May 2017, Group subsidiary RSM acquired 100% of the issued shares in (AGH), including 24% from BRL. Consideration for the acquisition was 7,650,472 shares in RSM valued at \$2.10 per share (\$16,065,991).
- On 26 April 2017, JBFG moved to 100% ownership of Kings by acquiring the final 19.6% for consideration of 1,250,502 shares in JBFG valued at \$5.51 per share, a total of \$6,890,266.
- On 27 April 2017, JBFG acquired 100% of JB Alpha Ltd (formerly Alpha Equities & Futures Limited). JB Alpha is an operating broker and dealer of equities and derivatives. Consideration for the acquisition was \$1,500,000 cash and the issue of 256,080 shares in JBFG valued at \$5.857 per share (\$1,500,000).



John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

c. Non-cash financing or investing activities (continued)

- On 5 June 2017, JBFG acquired 100% of RSM including 62% from BRL. Consideration for the acquisition was the issue of 6,495,348 shares in JBFG at \$5.51, a total of \$35,789,367.

Year ended 30 June 2016

During the year ended 30 June 2016, 1,000,000 share options in Bartholomew Roberts Limited were granted to the Managing Director by Bartholomew Roberts Limited, a company controlled by the parent Company. The value of these options has been determined using the Monte Carlo valuation methodology at \$125,000. These options were expensed in the financial year and recorded in equity.

**C2. INVENTORY**

	<b>2017</b>	<b>2016</b>
	\$	\$
Restaurant inventories	48,039	-

**C3. TRADE AND OTHER RECEIVABLES**

Trade receivables include amounts due from customers and work in progress which will be receivable from customers in the ordinary course of business. Receivables that are expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost.

	<b>2017</b>	<b>2016</b>
	\$	\$
Trade receivables	7,966,723	38,259
Receivable in respect of issue of shares by Group entities	7,047,040	1,200,000
Receivable for sale of listed shares	2,050,000	4,500,000
	<u>17,063,763</u>	<u>5,738,259</u>

As at 30 June 2017, current trade receivables of the Group with a value of \$82,599 were assessed as being potentially impaired (2016: nil). The individually impaired receivables relate mainly to debtors which have been outstanding for more than 90 days. The ageing analysis of receivables is as follows:

Not overdue	Up to 2 months overdue	3 months and over overdue	Provision for Doubtful Debts	Total
\$6,613,315	\$1,140,144	\$295,863	\$(82,599)	\$7,966,723

**C4. OTHER CURRENT ASSETS**

Other current assets consists of prepayments and deposits which have been or are expected to be realised within 12 months of the reporting date. The license fee deposit was for an IMUFA with Wingstop in relation to quick service restaurants which was completed and the balance paid 18 August 2017.

	<b>2017</b>	<b>2016</b>
	\$	\$
License fee deposit – non-refundable	148,098	-
Prepayments	247,594	13,992
	<u>395,692</u>	<u>13,992</u>

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**C5. OTHER NON-CURRENT ASSETS**

Other non-current assets consists of property lease bonds with various maturity dates expected to be refunded after 12 months from the reporting date.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Property lease bonds - refundable	91,113	-

**C6. TRADE AND OTHER PAYABLES**

Payables includes amounts due to suppliers, employees and contractors, and work in progress which will be billed by contractors in the ordinary course of business. Payables expected to be settled within 12 months of the end of the reporting period are classified as current liabilities. All other payables are classified as non-current liabilities.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Trade payables	6,627,826	15,257
Accrued expenses	520,201	-
Licensing fee payable	1,086,352	-
Deferred payable in respect of subsidiary acquisition	60,000	-
Other	84,089	101,996
	<u>8,378,468</u>	<u>117,253</u>
<i>Non – Current</i>		
Licensing fee payable	1,086,343	-
Other	125,940	-
	<u>1,212,283</u>	<u>-</u>

**C7. BORROWINGS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Short term loan <sup>1</sup>	1,740,000	-
Finance lease liabilities <sup>2</sup>	150,152	-
Other	5,969	-
	<u>1,896,121</u>	<u>-</u>
<i>Non – Current</i>		
Convertible note <sup>3</sup>	3,798,701	-
Finance lease liabilities <sup>2</sup>	890,780	-
Lease incentive liabilities <sup>4</sup>	1,097,522	-
Other	26,464	-
	<u>5,813,467</u>	<u>-</u>

<sup>1</sup> The short term loan represents funds lodged with the Group in anticipation of an investment which did not materialise. The amount was then, by agreement with the contributor, treated as a short term, interest free loan repayable on demand.

<sup>2</sup> Finance lease liabilities consist of leases secured over motor vehicles with various rates of interest between 5.14% and 6.01%.

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<sup>3</sup> The convertible notes consist of 2,600,000 notes issued 6 April 2017 with a face value of \$1.58, maturing on 6 April 2022. Each note is convertible to one fully paid ordinary share in JBL at any time before expiry at the discretion of the holder.

<sup>4</sup> Lease incentive liabilities relate to rental incentives in respect of business premises leased by the Group.

**C8. PROVISIONS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Current</i>		
Employee benefits	792,138	38,330
	<u>792,138</u>	<u>38,330</u>
<i>Non - Current</i>		
Employee benefits	370,268	-
Make good on property leases	172,074	-
	<u>542,342</u>	<u>-</u>

**C9. PROPERTY, PLANT AND EQUIPMENT**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Leasehold improvements 4 – 10 years
- Plant and equipment 3 – 10 years
- Motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The table below reconciles the carrying amount of property, plant and equipment:

	<b>Note</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Carrying amount</b>					
Balance at 1 July 2016		-	-	5,681	5,681
Acquisitions as part of business combinations	E2	87,388	692,815	313,880	1,094,083
Additions		1,926,098	624,814	772,690	3,315,513
Disposals at net book value				(6,615)	(6,616)
Depreciation		(22,344)	(59,149)	(32,778)	(114,302)
Impairment loss		-	-	-	-
<b>Balance at 30 June 2017</b>		<b>1,991,142</b>	<b>1,258,449</b>	<b>1,052,858</b>	<b>4,302,449</b>
Cost		2,013,486	1,317,632	1,084,323	4,415,441
Accumulated depreciation		(22,344)	(59,183)	(31,465)	(112,992)
<b>Balance at 30 June 2017</b>		<b>1,991,142</b>	<b>1,258,449</b>	<b>1,052,858</b>	<b>4,302,449</b>

The Group leases motor vehicles under a number of finance leases. The leased equipment secures lease obligations. At 30 June 2017, the net carrying amount of leased equipment was \$991,023.

**C10. INTANGIBLE ASSETS**

Intangible assets are stated at cost or deemed cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of the asset. Goodwill is not amortised, and is tested for impairment annually.

The estimated useful lives are as follows:

- Licences 10 years (term of the licence)
- Software 3-5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The table below reconciles the carrying amount of intangible assets:

<b>2017</b>	<b>Note</b>	<b>Goodwill</b>	<b>Licences</b>	<b>Software</b>	<b>Total</b>
<b>Cost</b>					
Balance at 1 July 2016		434,226	-	-	434,226
Acquisitions through business combinations	E2	29,423,585	-	52,835	29,476,420
Additions		-	3,485,709	29,555	3,515,264
<b>Balance at 30 June 2017</b>		<b>29,857,811</b>	<b>3,485,709</b>	<b>82,390</b>	<b>33,425,910</b>

**Accumulated amortisation and impairment losses**

Balance at 1 July 2016	-	-	-	-
Disposal on transfer of RSM Group	(174,966)	-	-	(174,966)
Amortisation	-	(261,428)	(3,630)	(265,058)
<b>Balance at 30 June 2017</b>	<b>(174,966)</b>	<b>(261,428)</b>	<b>(3,630)</b>	<b>(440,024)</b>

**Carrying amounts as at 30 June 2017**

29,682,845	3,224,281	78,760	32,985,886
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At 30 June 2016 the intangible assets balance related to the acquisition of goodwill through business combinations during the year of \$434,226.

**Impairment testing for CGU's containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs (operating divisions) as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Investment management services	-	-
Operations of investments in subsidiaries in JBFG	29,682,845	434,226
Operations of investments in subsidiaries in BRL	-	-
	<b>29,682,845</b>	<b>434,226</b>

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated. The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

At the end of each reporting period, the Group determines whether there is evidence of an impairment indicator for CGUs. Where this indicator exists, and regardless of an indicator for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

## John Bridgeman Limited ACN 603 477 185

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

All of the Group's goodwill is contained within JBFG and its subsidiaries. The Group has evaluated the recoverability of goodwill with reference to the Director's assessment of the fair value less costs of sale of JBFG and its subsidiaries. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation. The fair value has been determined from management forecasts and the application of a multiple of 14.9 in anticipation of an exchange listing. The result of which has been discounted for current liquidity.

The key inputs into the impairment model are consistent with the assumptions that a market participant would make. The determination of the recoverable amount of the Group's CGU containing goodwill involved significant estimates and judgements and are subject to the risk of adverse and sustained changes in market conditions. The sensitivity analysis performed by the Group indicates a reasonably possible change in any of the key assumptions would not result in impairment of goodwill as at 30 June 2017.

In addition, JBFG is currently the subject of an independent valuation commissioned by Henry Morgan Limited (HML) to assist the directors of HML in assessing a proposal from the Company to acquire HML's stake in JBFG.

**D. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****D1. FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions to the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Group commits itself to purchase or sell the assets.

*Initial measurement, subsequent measurement & classification*

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments measured at fair value are expensed to the Statement of Profit or Loss and Other Comprehensive Income immediately.

Financial instruments are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all unlisted securities that are not traded in an active market, valuation techniques are applied to determine fair value, including recent arm's length transactions and reference to similar instruments.

The Group classifies its financial instruments into the following categories:

- **Financial assets at fair value through profit or loss**

Financial assets are classified at fair value when they are held for trading. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

- **Term deposits**

Term deposits are short-term deposits with a maturity of more than 3 months and less than one year. The Group measures term deposits at amortised cost using the effective interest method. The effective interest rate that exactly discounts the estimated future cash payments and receipts through the expected life of the deposit. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the term deposit but not future credit losses.

- **Loans and receivables (including PDLs)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services but also incorporate other types of contractual monetary assets, and in the case of PDLs are purchased from third parties. After initial recognition they are measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value is recognised in profit or loss.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset.

*Impairment of financial assets*

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of allowance accounts, and all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

*Fair value measurement and the fair value hierarchy*

The fair value of quoted instruments is based on current bid prices. Factors considered in determining the fair value of these investments include, but are not limited to, market conditions, purchase price, nature of investment, estimation of liquidity value, subsequent equity financing involving third parties or a significant change in operating performance or potential resulting in a change in valuation, and other pertinent information. Significant valuation issues are reported to the Board.

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table presents a comparison of the carrying value and fair value of the Group's financial assets and liabilities, including their levels in the fair value hierarchy. It does not include information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2017	Carrying amount			Fair value				
	\$	Measured at fair value	Measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Equity securities	6,649,775 <sup>1</sup>	-	6,649,775	6,649,775 <sup>1</sup>	-	-	-	6,649,775
Investment in commodities	20,904	-	20,904	20,904	-	-	-	20,904
Purchased debt ledgers	-	2,800,000 <sup>2</sup>	2,800,000	-	-	-	-	-
	6,670,679	2,800,000	9,470,679	6,670,679	-	2,800,000	-	9,470,679
<b>Financial liabilities measured at fair value</b>								
Convertible notes – liability component	3,798,701	-	3,798,701	-	3,798,701	-	-	3,798,701
	3,798,701	-	3,798,701	-	3,798,701	-	-	3,798,701

<sup>1</sup> Equity securities includes 3,165,083 shares in Henry Morgan Limited (ASX:HML) valued at \$6,298,515. The fair value is based on the last traded price on ASX before 30 June 2017, which was on 8 June 2017 after which these shares were suspended from trading on ASX at the request of HML. These shares remain suspended as at the date of this report. The Directors believe that the last traded price is the appropriate fair value for this investment.

<sup>2</sup> Purchase debt ledgers (PDLs) are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, they are recognised at amortised cost. As disclosed in Note A3, the carrying value of PDLs at 30 June 2017 approximates fair value.

2016	Carrying amount			Fair value				
	\$	Measured at fair value	Measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Equity securities	2,089,250	-	2,089,250	2,089,250	-	-	-	2,089,250
	2,089,250	-	2,089,250	2,089,250	-	-	-	2,089,250

**Financial asset and liabilities not measured at fair value**

For cash, term deposits, trade and other receivables, and trade and other payables, given the short term nature the carrying amount approximates the fair value.

**D2. FINANCIAL RISK MANAGEMENT**

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

The Company's investing activities are exposed to a variety of financial risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company has discretionary authority to manage and undertake investments in line with the Company's investment objectives, investment strategy and guidelines.

The oversight and management of the Company's risk management program has been conferred upon the Board of Directors. The Board is responsible for reviewing that the Company maintains effective risk management and internal control systems and processes. The Board will review the effectiveness of the Company's risk management and internal control system annually.

**a) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices such as foreign exchange rates, interest rates, equity prices and credit spreads.

The Group is predominantly exposed to market risk from its investment activities. The Group has previously invested in currency futures on regulated futures exchanges. The Group seeks to reduce the risk by a policy of diversification of investments across industries and companies operating in various sectors of the market, assessing the changes in market dynamics, consideration of key events and leading indicators. The Group's market risk is managed on a daily basis by the Investment Manager (Stuart McAuliffe) in accordance with the policies and procedures in place.

The Group may use derivative instruments to manage its exposure to market risk. Derivatives are not permitted to be used for gearing purposes.

*(i) Currency Risk*

The Group holds cash for use in its foreign exchange business (see Note E2) and enters into transactions that are denominated in currencies other than its presentation currency. Consequently, the Group is exposed to the movements in exchange rates that may have an adverse effect on the fair value of future cash flows of the financial assets or financial liabilities denominated in currencies other than Australian dollars.

The Manager considers currency valuations at the entity level when making investment decisions, however the Company's investment portfolio is typically unhedged. Currency exposure may be hedged defensively where the Manager sees a significant risk of currency weakness.

The following table summarises the Company's net currency exposure from its financial assets and financial liabilities, monetary and non-monetary, at the reporting date:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
United States Dollar	(1,715,948)	-
Euro	278,429	-
Great Britain Pound	173,107	-
New Zealand Dollar	252,336	-
Japanese Yen	146,776	-
Canadian Dollar	87,411	-
Thai Baht	71,464	-
Fiji Dollar	69,768	-
Singapore Dollar	68,408	-
Chinese Yuen	60,277	-
Other	538,396	-
	<u>30,424</u>	-



John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

*Currency risk sensitivity analysis*

The following table sets out the impact on the Company's profit and net assets from possible currency movements:

	Sensitivity rates	Strengthened	Weakened	Strengthened	Weakened
		2017	2017	2016	2016
		\$	\$	\$	\$
United States Dollar	3%	51,478	(51,478)	-	-
Euro	3%	(8,353)	8,353	-	-
Great Britain Pound	3%	(5,193)	5,193	-	-
New Zealand Dollar	3%	(7,570)	7,570	-	-
Japanese Yen	3%	(4,403)	4,403	-	-
Canadian Dollar	3%	(2,622)	2,622	-	-
Thai Baht	3%	(2,144)	2,144	-	-
Fiji Dollar	3%	(2,093)	2,093	-	-
Singapore Dollar	3%	(2,052)	2,052	-	-
Chinese Yuen	3%	(1,808)	1,808	-	-
Other	3%	(16,152)	16,152	-	-
		(912)	912	-	-

The sensitivity analysis is based on the assumption that the Australian dollar strengthened or weakened by the sensitivity rates against the other currencies. The sensitivity rates represent the Manager's estimate of a reasonably possible movement in foreign currency exchange rates given the current exchange rates and the historic volatility and assumes all other variables remain constant.

(i) *Interest Rate Risk*

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's investment portfolio currently includes cash and deposit products. Consequently, the Group is exposed to the changes in market interest rates that may have a negative impact, either directly or indirectly, on the investment return.

The following table summarises the Group's exposure to interest rate risk at year end:

2017	Non-interest bearing	Fixed interest rate	Variable interest rate	Total
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	11,643,090	-	-	11,643,090
Trade and other receivables	17,063,763	-	-	17,063,763
Other current assets	395,692	-	-	395,692
Other non-current assets	91,113	-	-	91,113
Term deposits	-	593,793	-	593,793
Purchased debt ledgers	-	-	2,800,000	2,800,000
	29,193,658	593,793	2,800,000	31,993,658

2017	Non-interest bearing	Fixed interest rate	Variable interest rate	Total
	\$	\$	\$	\$
<b>Financial Liabilities</b>				
Convertible note	-	3,798,701	-	3,798,701
Short term loan	1,740,000	-	-	1,740,000
Finance lease liabilities	1,097,522	1,040,932	-	2,138,454
Bank overdraft	-	-	332,822	332,822
Other non-current loans	-	26,464	-	26,464
Other	5,969	-	-	5,969
	2,843,491	4,866,097	332,822	8,042,410
<b>2016</b>				
	Non-interest bearing	Fixed interest rate	Variable interest rate	Total
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	1,868,573	-	-	1,868,573
Trade receivables and other receivables	5,738,259	-	-	5,738,259
Term deposits	-	30,000	-	30,000
	7,606,832	30,000	-	7,636,832

The Group had no financial liabilities at 30 June 2016.

*Interest rate sensitivity analysis*

A change of 1% in interest rates applicable at the reporting date would not have materially changed the Group's result and net assets. This analysis assumes that all other variables remain constant.

*Maturity Analysis*

Cash and cash equivalents are at call. Trade receivables and other current assets are due to be realised within three months. Term deposits have a maturity of greater than 3 months and less than one year.

Other receivables non-current consists of rental bonds with various maturity dates over one year.

(ii) *Price Risk*

Market prices fluctuate due to a range of factors specific to the individual investments or factors affecting the market in general. Price risk exposure arises from the Group's investment portfolio which comprises predominately Australian listed securities.

The Manager's securities selection process is fundamental to the management of price risk. The Manager undertakes fundamental, in depth, bottom-up research to identify high quality and attractively valued securities using a disciplined investment process.

As at the reporting date, the Company held shares in Henry Morgan Limited, for which it provides investment management services and is listed on the Australian Securities Exchange (ASX).

*Price risk sensitivity analysis*

An increase of 7% in market prices applicable at reporting date would have increased the Group's profit and increased the Group's net assets by \$466,948 (2016: \$204,250). A decrease of 7% in market prices would have an equal but opposite effect. This analysis assumes all other variables remain constant.

The sensitivity of the consolidated Group's profit and net assets is estimated using the parent Company's knowledge of the investment markets. The actual movement in security prices may vary significantly to these amounts.

**b) Credit Risk**

Credit risk is the risk of a counterparty failing to meet its financial obligations or contractual commitments resulting in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents (a)	8,879,914	1,868,573
Purchased Debt Ledgers (b)	2,800,000	-
Trade and other receivables (c)	17,063,763	5,738,259
Other non-current assets	91,113	-
Term deposits (a)	593,793	30,000
	<u>20,548,669</u>	<u>7,636,832</u>

(a) These balances are held with an AA- rated retail bank

(b) These balances, by their nature, are a credit risk

(c) As at 30 June 2017, an impairment of \$82,599 was recognised against trade receivables (2016: nil). Management believes that the remaining balances above are collectible in full.

**Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The following table summarises the contractual maturity of the Group's financial liabilities at the reporting date:

<b>2017</b>	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>At call</b>	<b>Less than 1 year</b>	<b>2-5 years</b>	<b>More than 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-derivative financial liabilities</b>						
Bank overdraft	332,822	332,822	332,822	-	-	-
Trade and other payables	9,590,751	9,590,751	-	8,378,468	1,212,283	-
Borrowings	7,709,588	8,748,326	-	2,284,296	6,464,030	-
	<u>17,633,161</u>	<u>18,671,899</u>	<u>332,822</u>	<u>10,662,764</u>	<u>7,676,313</u>	<u>-</u>
<b>2016</b>	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>At call</b>	<b>Less than 1 year</b>	<b>2-5 years</b>	<b>More than 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-derivative financial liabilities</b>						
Trade and other payables	117,253	117,253	-	117,253	-	-
	<u>117,253</u>	<u>117,253</u>	<u>-</u>	<u>117,253</u>	<u>-</u>	<u>-</u>

The Group's approach to managing liquidity risk is to ensure it has sufficient liquidity to meet these liabilities. The Group holds sufficient cash and cash equivalents to meet these liabilities.

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**E. CAPITAL STRUCTURE AND FINANCING**

**E1. CAPITAL AND RESERVES**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
23,988,417 fully paid ordinary shares (2016: 17,563,300)	20,216,505	10,033,968

The Company does not have authorised share capital or par value in respect of its issued shares.

	<b>2017</b>	<b>2016</b>
	<b>Shares</b>	<b>Shares</b>
a. <b>Share capital</b>		
Ordinary shares fully paid	23,988,417	17,563,300
	<b>\$</b>	<b>\$</b>
<b>Movements in shares on issue:</b>		
Balance at the beginning of the year	10,033,968	7,400
1,000 ordinary shares issued on 8 January 2015	-	-
7,399,000 ordinary shares issued on 12 February 2015	-	-
6,042,000 ordinary shares issued on 6 August 2015 under the second supplementary prospectus	-	6,042,000
Share issue costs	-	(59,452)
2,016,300 ordinary shares issued 21 December 2015	-	2,016,300
Share issue costs	-	(45,261)
2,105,000 ordinary shares issued 29 April 2016	-	2,105,000
Share issue costs	-	(32,019)
120,000 ordinary shares at \$1.10 issued on 17 January 2017	132,000	-
10,000 share buy back at \$2.23 per share on 1 February 2017	(22,300)	-
1,000,000 ordinary shares at \$1.10 issued on 10 February 2017	1,100,000	-
2,000 ordinary shares at \$1.10 issued on 22 March 2017	2,200	-
2,000 ordinary shares at \$1.10 issued on 26 May 2017	2,200	-
5,294,117 ordinary shares issued at \$1.70 on 23 June 2017	8,999,998	-
Share issue costs	(50,261)	-
12,000 ordinary shares at \$1.10 issued on 23 June 2017	13,200	-
5,000 ordinary shares at \$1.10 issued on 30 June 2017	5,500	-
Balance at the end of the year	20,216,505	10,033,968

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. **Options**

In accordance with the Company's second supplementary prospectus and subsequent capital raisings, attached to each ordinary share issued was an option with an exercise price of \$1.10 per option, exercisable from the date of issue to 31 March 2020.

The options have been held in escrow and restricted on a voluntary basis from being exercised for 12 to 24 months from the date of quotation of the ordinary shares on a recognised securities exchange.

The options hold no voting or dividend rights and are not transferable. Refer to Note F1 for options issued to key management personnel. As at 30 June 2017, total share options outstanding was 23,982,300.

	<b>2017</b>	<b>2016</b>
	<b>Options</b>	<b>Options</b>
<b>Movements in options on issue</b>		
Balance at the beginning of the year	25,123,300	14,960,000
6,042,000 ordinary share options issued on 6 August 2015	-	6,042,000
2,016,300 ordinary share options issued on 17 December 2015	-	2,016,300
2,105,000 ordinary share options issued on 29 April 2016	-	2,105,000
120,000 ordinary shares issued on 17 January 2017	(120,000)	-
1,000,000 ordinary shares issued on 10 February 2017	(1,000,000)	-
2,000 ordinary shares issued on 22 March 2017	(2,000)	-
2,000 ordinary shares issued on 26 May 2017	(2,000)	-
12,000 ordinary shares issued on 23 June 2017	(12,000)	-
5,000 ordinary shares issued on 30 June 2017	(5,000)	-
Balance at the end of the year	23,982,300	25,123,300

For the terms of these options refer to the Directors' Report for further information.

c. **Convertible notes**

	<b>2017</b>	<b>2016</b>
	<b>Convertible notes</b>	<b>Convertible notes</b>
<b>Movements in convertible notes on issue</b>		
Balance at the beginning of the year	-	-
2,600,000 convertible notes issued on 6 April 2017	2,600,000	-
Balance at the end of the year	2,600,000	-

The convertible notes have a face value of \$1.58, interest is payable six monthly at 8% pa. The notes mature on 6 April 2022 and each note is convertible into one ordinary share in the Company at any time before maturity.

d. **Capital management**

The Managing Director controls the capital of the Company in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Company can fund its operations and continue as a going concern.

The Company's capital consists of ordinary share capital and convertible notes.

The Company is not subject to any externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Company's capital policy is to ensure the level of borrowings are limited to 20% of the total assets of the Company at the time of borrowing.

e. **Franking credits balance**

The Company had \$123,195 franking credits available at 30 June 2017 (2016: Nil)

f. **Employee equity based payment reserve**

The employee equity based payment reserve records items recognised as expenses on valuation of employee share options. There were no additions to this reserve during the year (2016: nil).

g. **Convertible note reserve**

The convertible note reserve comprises the amount allocated to the equity component from the issue of the notes on 6 April 2017.

**h. Foreign currency translation reserve**

The Foreign currency translation reserve represents the effect of currency movement in the translation of a New Zealand subsidiary to the presentation currency upon consolidation.

**i. Shareholder change in interest reserve**

The shareholder change in interest reserve arises from the transfer of interest when existing shareholders transfer equity between themselves without resulting in a change of control for consolidation purposes.

**E2. ACQUISITIONS OF SUBSIDIARIES**

**a) Basis of consolidation**

*i) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note C10). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

*ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are consolidated until the date on which control ceases.

*iii) Non-Controlling Interests (NCI)*

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*iv) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*v) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the invested. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**b) Business combinations**

During the period, the group added a number of subsidiary entities through acquisitions. The provisional fair value of identifiable net assets and resulting goodwill is represented by:

John Bridgeman Limited ACN 603 477 185  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017	JBM	Alpha Broking & HPH Holding	King's (and Harnewei)	TMIS	Yates	TMIS NZ	Advance	Ashdale	TOTAL
Acquisition date	01-Aug-16	28-Apr-17	06-Dec-16	04-Jul-16	01-Feb-17	04-Jul-16	11-May-17	17-Mar-17	
Cash	57,991	191,372	2,316,006	-	-	28,250	1,177	10,171	<b>2,604,967</b>
Investments	3,353	22,285	-	-	-	-	-	-	<b>25,638</b>
Receivables	-	153,527	323,862	-	-	29,623	1,486,892	312,011	<b>2,305,915</b>
Property, plant and equipment	-	30,736	619,678	7,500	-	-	250,169	186,000	<b>1,094,083</b>
Intangibles	-	8,901	-	-	-	2,462	41,472	-	<b>52,835</b>
Prepayments	-	-	-	90	-	-	13,759	-	<b>13,849</b>
Tax (asset) / liabilities	-	67,092	(377,329)	-	-	-	(174,550)	-	<b>(484,787)</b>
Payables	(3,353)	(77,247)	(2,474,262)	-	-	(127,732)	(1,039,759)	(234,270)	<b>(3,956,623)</b>
Borrowings	-	-	(80,848)	-	-	-	(504,563)	(266,580)	<b>(851,991)</b>
Provisions	(7,568)	(78,048)	(100,944)	(18,049)	(26,400)	(10,578)	(561,647)	(82,047)	<b>(885,281)</b>
<b>Net assets / (liabilities) acquired</b>	<b>50,423</b>	<b>318,618</b>	<b>226,163</b>	<b>(10,459)</b>	<b>(26,400)</b>	<b>(77,975)</b>	<b>(487,050)</b>	<b>(74,715)</b>	<b>(81,395)</b>
Purchase of NCI <sup>1</sup>	-	-	6,625,743	-	-	-	-	-	<b>6,625,743</b>
Value of NCI acquired			218,412						<b>218,412</b>
Consideration transferred	200,423	3,000,000	14,568,256	547,712	500,000	43,963	16,065,991	1,260,000	<b>36,186,345</b>
Goodwill / (gain on bargain purchase)	150,000	2,681,382	7,497,938	558,171	526,400	121,938	16,553,041	1,334,715	<b>29,423,585</b>

<sup>1</sup>Transferred to Shareholder change in interest reserve.

At acquisition date, \$20,392 worth of trade receivables from Advance was believed impaired. The remaining trade receivables from all entities acquired were expected to be fully collected. No amount of goodwill is expected to be deductible for tax purposes.

Assets acquired	Valuation technique
Property, plant and equipment, and intangibles	<p>Market comparison technique and cost technique considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.</p> <p>Intangibles included only software at acquisition.</p>

The Group also added subsidiaries by incorporation of new entities as follows:

- JB Fintech Services Pty Ltd
- JB International Payments Pty Ltd
- JB Trading Services Pty Ltd
- Piggybk Holdings Pty Ltd
- Funz Holdings Pty Ltd
- JBFX Wholesale Pty Ltd
- JBFX retail Pty Ltd
- Birdzz Pty Ltd
- Growth Point Capital Limited

#### **JB Markets Pty Ltd (JBM) (formerly Aliom Pty Ltd)**

On 1 August 2016, JBFG acquired 100% in JB Markets Pty Ltd (JBM) for \$200,423 in cash. This business provides broking services. The Directors believe there is growth potential in the broking business and that it complements the investment management business of the Company.

The goodwill is mainly attributable to the Australian Financial Services licence and established reputation of the company. The acquisition is recorded as an investment in a subsidiary by JB Financial Group Ltd. There were no acquisition costs recognised, costs were categorised as normal operating costs of JBM.

For the period since acquisition, JBM contributed \$819,859 in revenue and a loss of \$722,460 due to costs of recruiting and employee benefit costs incurred in re-establishing the business. If the acquisition had occurred on 1 July 2016, management estimates that JBM would have contributed \$810,423 in revenue and a loss for the year of \$750,286.

#### **HPH Holdings Pty Ltd (HPH) JB Alpha Ltd (formerly Alpha Equities & Futures Limited (JB Alpha)**

On 28 April 2017, JBFG acquired 100% of the issued shares in JB Alpha and its parent holding company HPH for consideration of \$3,000,000, 50% of which was settled in cash and 50% by the issue of 256,080 shares in JBFG valued at \$5.857 (based on an internal valuation).

The business provides broking services, and the directors believe the acquisition of Alpha Broking is a key strategic move to strengthen the team and enhance services. The business complements JBM and the synergies between them will place the Group in a unique position in the financial market place with critical mass to expand domestically and internationally. The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of Alpha Broking. The acquisition is recorded as an investment in a subsidiary. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

Alpha Broking for the period since acquisition contributed \$180,466 in revenue and a profit of \$13,910 since acquisition. If the acquisition had occurred on 1 July 2016, management estimates that Alpha would have contributed \$1,088,003 in revenue and a profit for the year of \$153,170.

#### **Kings Currency Exchange Pty Ltd and its associate Harnewei Pty Ltd (Kings)**

In two tranches during November and December 2016, JBFG acquired 80.6% of the issued capital of King's Currency Exchange Pty Ltd (Kings) and a non-operating associate of Kings for total consideration of \$7,678,000 (paid in cash). Kings operate the Crown Currency Exchange and King's Currency Exchange businesses which have a corporate history of more than 30 years and provide retail foreign exchange services through a network of foreign currency exchange stores. On the 27 April 2017, the remaining 19.4% was acquired by JBFG for \$6,890,266, settled in 1,250,502 JBFG shares valued at \$5.51 per share (based on an internal valuation).



The Directors believe that the acquisition of Kings provided an opportunity to acquire a profitable, well established business with potential for further growth and that complements the international investment management business of the Company. King's is an asset lean business and as such a significant portion of the acquisition price is represented by goodwill.

The goodwill is attributable mainly to the profitability and reputation of the long established business. The acquisition is recorded as an investment in a subsidiary by JBFG. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

King's contributed a profit of \$929,002 and revenue of \$4,375,877 since acquisition. If the acquisition had occurred on 1 July 2016, management estimates that Kings would have contributed \$7,652,665 in revenue and a profit for the year of \$1,798,654.

#### **Trademark Investigation Services business (TMIS)**

On 4 July 2016, RSM acquired an existing business called Trademark Investigation Services business (TMIS) for \$547,712 in cash. This business provides trademark investigative services. The Directors believe there is growth potential in the trademark investigation industry and TMIS provides access to this growing industry. TMIS also expands and complements the suite of corporate investigative services available within the Group.

The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of TMIS. The acquisition is recorded by including the assets and liabilities of the TMIS business into the balance sheet of RSM as the TMIS business was not an incorporated entity. There were no acquisition costs recognised, costs were categorised as normal operating costs of the Company.

TMIS contributed a loss of \$112,561 since acquisition and revenues of \$950,976. Due to the timing of the acquisition, management do not think that the results would be materially different if the acquisition had occurred on 1 July 2016.

#### **Yates Professional Investigations Pty Ltd (Yates)**

On 1 February 2017, the Group incorporated a subsidiary of RSM, Yates PI Pty Ltd, and acquired an existing business called Yates Professional Investigations (Yates) for consideration of \$500,000 in cash.

Yates provides mercantile services which the Directors believe provides an opportunity to acquire a profitable, well established business with potential for further growth and that it complements the other RSM businesses.

The goodwill is attributable mainly to the skills and technical talent of the workforce, as well as the established reputation of Yates. The acquisition is recorded as an investment in a business by RSM. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

Yates contributed a profit of \$5,960 and \$411,094 in revenue since acquisition. If the acquisition had occurred on 1 July 2016, management estimates that Yates would have contributed \$1,007,042 in revenue and a profit for the year of \$14,600.

#### **Trademark Investigation Services (NZ) Ltd (TMIS NZ)**

On 4 July 2016, RSM acquired a New Zealand Company, Trademark Investigation Services (NZ) Ltd (TMISNZ), for \$43,963 in cash. This business provides trademark investigative services. The Directors believe there is growth potential in the trademark investigation industry and TMISNZ, in conjunction with the above acquisition of TMIS Australia, provides access to this growing industry. TMISNZ also expands and complements, the suite of corporate investigative services available within the Group.

The goodwill is attributable mainly to the skills and technical talent of the workforce, as well as the established reputation of TMISNZ. The acquisition is recorded as an investment in a subsidiary by RSM. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

TMISNZ contributed revenues of \$104,023 and a loss of \$122,974 since acquisition. Due to the timing of the acquisition, management do not think that the results would be materially different if the acquisition had occurred on 1 July 2016.

#### **Advance Group Holdings Pty Ltd (Advance)**

On 11 May 2017 RSM acquired a business called Advance Group Holdings Pty Ltd (Advance) for 7,650,472 shares at \$2.10 per share (based on an internal valuation) for a total consideration of \$16,065,991. Advance is a well-established, industry leading mercantile and investigation agency.

The Directors believe that the acquisition of Advance provided an opportunity to acquire a profitable, well established business with potential for further growth and that it complements the other RSM businesses.

The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of Advance. The acquisition is recorded as an investment in a subsidiary by RSM. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

## John Bridgeman Limited ACN 603 477 185

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Advance contributed \$1,483,711 in revenue and a profit of \$34,164 since acquisition. If the acquisition had occurred on 1 July 2016, management estimates that Advance would have contributed \$11,452,433 in revenue and a profit for the year of \$677,733.

#### **Ashdale Integrity Solutions Pty Ltd (Ashdale)**

On 17 March 2017, RSM acquired an established business called Ashdale Integrity Solutions Pty Ltd for consideration of \$1,260,000 represented by the cancellation of an amount of \$1,200,000 payable to RSM plus \$60,000 cash. Ashdale provides specialist workplace investigations and conflict resolution.

The Directors believe that the acquisition of Ashdale provided an opportunity to acquire a profitable, well established business with potential for further growth and that it complements the other RSM businesses.

The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of Ashdale. The acquisition is recorded as an investment in a subsidiary by RSM. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

Ashdale contributed \$482,871 in revenue and a profit of \$8,408 since acquisition. If the acquisition had occurred on 1 July 2016, management estimates that Ashdale would have contributed \$1,678,552 in revenue and a profit for the year of \$29,227.

**E3. LIST OF CONSOLIDATED ENTITIES**

Entities included in the Group's consolidated financial report as at 30 June 2017 are set out below. The principal place of business is also the country of incorporation or registration.

Name	Principal place of business	Ownership interest <sup>1</sup>	
		2017	2016
Bartholomew Roberts Limited (BRL)	Australia	44.53%	100%
JB Financial Group Ltd (JBFG)	Australia	16.68%	-
Risk & Security Management Limited (RSM)	Australia	16.68%	60%
IDS Group Pty Ltd	Australia	16.68%	60%
Trademark Investigation Services business	Australia	16.68%	-
Trademark Investigation Services (NZ) Ltd	New Zealand	16.68%	-
Yates PI Pty Ltd	Australia	16.68%	-
Ashdale Integrity Solutions Pty Ltd	Australia	16.68%	-
JB Markets Pty Ltd	Australia	16.68%	-
HPH Holdings Pty Limited	Australia	16.68%	-
JB Alpha Ltd	Australia	16.68%	-
Kings Currency Exchange Pty Ltd	Australia	16.68%	-
Harnewei Pty Ltd	Australia	16.68%	-
JB Fintech Services Pty Ltd	Australia	16.68%	-
JB International Payments Pty Ltd	Australia	16.68%	-
JB Trading Services Pty Ltd	Australia	16.68%	-
Piggybk Holdings Pty Ltd	Australia	11.26%	-
Funz Holdings Pty Ltd	Australia	12.51%	-
JBFX Wholesale Pty Ltd	Australia	16.68%	-
JBFX retail Pty Ltd	Australia	16.68%	-
JR Restaurants Australia Pty Ltd	Australia	44.53%	-
Birdzz Pty Ltd	Australia	44.53%	-
Growth Point Capital Limited	Australia	22.26%	-

<sup>1</sup>Ownership interest does not include any indirect ownership via JBL's interest of 10.34% in HML which has indirect interests in the above entities.

**Bartholomew Roberts Limited**

During the year, BRL issued an additional 788,596 shares to the Company, consisting of 147,417 shares at \$1.00, 100,000 shares at \$4.00, 214,444 shares at \$9.00 per share and 326,735 shares at \$9.90; being a total investment of \$5,712,093.

BRL also issued 2,227,616 shares to other investors, including 1,930,000 shares at \$1.00, 55,556 at \$9.00 and 242,060 at \$9.90; for a total investment of \$4,826,398.

The effect of the additional issue of shares in BRL was to decrease the Company's direct interest in BRL from 100% to 44.53%.

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**E4. NCI**

The following table summarises the information relating to the Group's subsidiaries that have material NCI.

2017	BRL	JB Financial Group & its subsidiaries <sup>1</sup>	Other individually immaterial subsidiaries	Intra-group eliminations	Total
<b>NCI percentage</b>	<b>55.47%</b>	<b>83.32%</b>			
Current assets	2,828,349	22,708,486	1,150,442	(23,358,629)	3,328,648
Non-current assets	32,743,865	48,784,247	6,186,119	(57,276,400)	30,437,831
Current liabilities	(16,115,244)	(9,098,992)	(6,772,697)	27,830,742	(4,156,191)
Non-current liabilities	(5,321,194)	(961,950)	(1,150,884)	5,258,619	(2,175,409)
<b>Net assets</b>	<b>14,135,776</b>	<b>61,431,791</b>	<b>(587,020)</b>	<b>(47,545,668)</b>	<b>27,434,879</b>
Carrying amount of NCI	<b>6,398,887</b>	<b>33,325,846</b>	<b>(344,582)</b>		<b>39,380,151</b>
Revenue	17,159,750	9,173,831	151,961	(22,195,076)	4,290,466
Profit / (loss)	2,597,288	(1,827,865)	(588,420)	(5,124,465)	(4,943,462)
OCI	-	(1,410)	-	-	(1,410)
<b>Total comprehensive income</b>	<b>2,597,288</b>	<b>(1,829,275)</b>	<b>(588,420)</b>	<b>(5,124,465)</b>	<b>(4,944,872)</b>
Profit allocated to NCI	1,447,493	(702,011)	(344,632)	-	400,850
OCI allocated to NCI	-	-	-	-	-
Cash flows from operating activities	2,563,717	(1,834,590)	(2,276,754)	(163,704)	(1,711,331)
Cash flows from investing activities	(14,014,003)	(543,111)	(2,013,674)	5,933,295	(10,637,493)
Cash flows from financing activities (dividends to NCI: nil)	11,504,526	6,903,706	4,361,456	(17,654,000)	5,115,688
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>54,240</b>	<b>4,526,005</b>	<b>71,028</b>	<b>(11,884,409)</b>	<b>(7,233,136)</b>

<sup>1</sup>Includes the RSM Group.

**2016**

	RSM Group	Intra-group eliminations	Total
<b>NCI percentage</b>	<b>40%</b>		
Current assets	3,064,518	-	3,064,518
Non-current assets	441,422	-	441,422
Current liabilities	(500,870)	-	(500,870)
<b>Net assets</b>	<b>3,005,070</b>	<b>-</b>	<b>3,005,070</b>
Carrying amount of NCI	1,202,028	-	1,202,028
Revenue	6,156	-	6,156
Profit	1,409	-	1,409
<b>Total comprehensive income</b>	<b>1,409</b>	<b>-</b>	<b>1,409</b>
Profit allocated to NCI	564	-	564
Cash flows from operating activities	21,998	-	21,998
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,998</b>	<b>-</b>	<b>21,998</b>

John Bridgeman Limited ACN 603 477 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**E5. PARENT ENTITY DISCLOSURES**

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the group was John Bridgeman Limited.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Result of parent entity</b>		
Profit (loss) for the year	9,367,513	(931,485)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>9,367,513</u>	<u>(931,485)</u>
<b>Financial position of parent entity at year end</b>		
Current Assets	<u>27,115,942</u>	<u>6,836,306</u>
Non-current Assets	<u>17,211,883</u>	<u>3,508,380</u>
Total Assets	<u>44,327,825</u>	<u>10,344,686</u>
Current Liabilities	<u>8,795,967</u>	<u>1,103,602</u>
Non-current Liabilities	<u>6,493,987</u>	<u>-</u>
Total Liabilities	<u>15,289,954</u>	<u>1,103,602</u>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	20,216,505	10,033,968
Reserves	473,779	212,595
Retained earnings	<u>8,347,587</u>	<u>(1,005,479)</u>
<b>Total Equity</b>	<u>29,037,871</u>	<u>9,241,084</u>

The parent entity has not entered into any deeds of cross guarantee, has no contingent liabilities and has not entered into any contractual commitments for the acquisition of property, plant and equipment.

**F. OTHER****F1. EMPLOYEE BENEFITS (INCLUDING KEY MANAGEMENT PERSONNEL)**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be measured reliably. If benefits are not expected to be settled wholly within 12 months of the reporting date, they are then discounted.

The grant date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**a) Employee benefits**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term benefits and fees	6,020,677	197,184
Post-employment benefits	563,342	18,732
Long term benefits	142,368	7,917
Share-based payments	-	125,000
	<u>6,726,387</u>	<u>348,833</u>

**Share-based Payments**

There were no share-based payments included in employee benefits during the year ended 30 June 2017.

During the year ended 30 June 2016, 1,000,000 share options in Bartholomew Roberts Limited were granted to the Managing Director by Bartholomew Roberts Limited, a subsidiary controlled by the Company. These options were issued in accordance with a resolution of the Board of Directors of Bartholomew Roberts Limited. The exercise price of each option is \$1.00 and they are exercisable on or before 22 April 2021. These options vested during the year ended 30 June 2016. The options were valued at \$125,000 using the Monte Carlo simulation pricing model.

**F2. RELATED PARTY TRANSACTIONS**

In the normal course of business, the Group transacts with related parties. All transactions with related parties are conducted on normal commercial terms and conditions. During the year ending 30 June 2017, the following related party transactions occurred:

- i) The compensation arrangements with the Chairman and each of the Executive Directors;
- ii) The interest in the Company held directly and indirectly by the Chairman, Non-Executive Directors and Executive Directors (refer to directors' report).
- iii) Various loans, agreements and equity transactions occurred between entities within the Group and with associated entities on normal commercial terms as noted in Other transactions.

The following abbreviations have been used throughout the following transaction details.

BRL	Bartholomew Roberts Ltd
HML	Henry Morgan Limited
BHD	Benjamin Hornigold Limited
JB Broking	JB Broking Ltd (now JB Financial Group Ltd)
JBFG	JB Financial Group Ltd (formerly JB Broking Ltd)
JBL	John Bridgeman Limited
JB Markets	JB Markets Pty Ltd
JR Restaurants	JR Restaurants Australia Pty Ltd
RSM	Risk & Security Management Ltd

**Key management personnel benefits**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The total remuneration paid to KMP of the Group during the year are as follows:

	2017	2016
	\$	\$
Short-term benefits and fees	680,061	197,184
Post-employment benefits	61,585	18,732
Long term benefits	40,635	7,917
Share-based payments	-	125,000
	782,281	348,833

**Short-term benefits and fees**

These amounts include cash salary, fees paid and non-monetary benefits

**Post-employment benefits**

These amounts represent superannuation and superannuation equivalents paid to KMP.

**Share-based payments**

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

**Other transactions**

Loans were provided between entities within the Group throughout the year on documented, commercial terms for acquisitions and working capital requirements. These loans have either been repaid, are in the process of being repaid, or have been converted into equity based on internal valuations.

In August 2016, HML and an entity associated with Stuart McAuliffe acquired shares in JB Broking. Stuart McAuliffe is a common director of each of these entities, and there are two other common directors of BRL and HML. The sales prices of the shares was determined on internal valuations. Shares were also transferred to third parties on similar terms.

The Company has entered into services agreements with BRL and HML for the provision of administrative and support services. The companies share common directors. The services agreement sets out the obligations and responsibilities of JBL, and the manner in which fees will be charged.

In October 2016, BRL issued 1,200,000 shares to HML following a placement to wholesale and sophisticated investors. Shares were issued to several other external third parties on the same terms. The issue price of the shares was determined by management based on internal valuations. BRL and HML shared common directors.

In December 2016 JBFG issued a total of 307 additional shares (which equated to 3,070,000 shares after a subsequent share split on 10000:1 basis) valued at \$8,180,000. The issue was made up of 235 shares issued to HML and 72 shares issued to BRL.

During the year, BRL issued additional 788,596 shares to the Company based on internal valuations, consisting of 147,417 shares at \$1.00; 100,000 shares at \$4.00; 214,444 shares at \$9.00 per share and 326,735 shares at \$9.90, being a total investment of \$5,712,093.

On 19 April 2017, RSM issued 6,300,000 shares to BRL at \$1.00 per share in exchange for \$3,400,000 cash to be injected into RSM to fund acquisitions and in consideration for consulting fees.

On 11 May 2017, RSM acquired 100% of the issued shares in Advance Group Holdings Pty Ltd (AGH), including 24% from BRL. Consideration for the acquisition was 7,650,472 shares in RSM valued at \$2.10 (\$16,065,991). BRL made a gain of \$2,855,837 on the transaction which has been eliminated on consolidation.

On 26 April 2017, JBFG issued an additional 1,814,882 shares, including 734,251 to BRL, at \$5.51 per share to raise \$10,000,000.

On 26 April 2017 JBFG moved to 100% ownership of Kings by acquiring the final 19.6% for consideration of 1,250,502 shares in JBFG valued at \$5.51 per share, a total of \$6,890,266.

**John Bridgeman Limited ACN 603 477 185**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

On 5 June 2017, JBFG acquired 100% of RSM, including 62% from BRL. Consideration for the acquisition was the issue of 6,495,348 shares in JBFG at \$5.51, a total of \$35,789,367. BRL made a gain of \$11,876,843 on the transaction which has been eliminated on consolidation.

Additional related party transactions which took place after 30 June 2017 are detailed in Note F5.

**F3. OPERATING LEASE COMMITMENTS**

Operating leases in which the Group is the lessee are expensed on a straight line basis over the term of the lease. When an operating lease terminates before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Future rentals in respect of operating leases (principally in respect of premises) not provided for in these financial statements comprise amounts payable:

	<b>2017</b>	<b>2016</b>
	\$	\$
Within 1 year	2,267,702	-
Between 1 year and 5 years	7,696,625	
Later than 5 years	5,354,165	-
	15,318,492	-

**F4. AUDITORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	\$	\$
Auditors of the Company - KPMG		
Audit and review of financial statements	501,641	31,000
Secondment fees	28,413	-
In relation to other assurance, taxation and due diligence services	-	5,500
	530,054	36,500

**F5. SUBSEQUENT EVENTS**

Other than the following, the directors are not aware of any significant events since the end of the year.

On 3 July 2017, RSM acquired 100% of the issued shares in Australian Legal Support Group Pty Ltd (ALSG) for a consideration of \$3,000,000. ALSG provides mercantile services and complements existing Group operations in that segment.

On 12 September 2017, JBFG acquired 100% of the issued shares in Genesis Proprietary Trading Pty Ltd (Genesis) for a consideration of \$5,747,289. Genesis is one of Australia's largest proprietary trading companies, with offices in Sydney, Melbourne, Manly and Warriewood.

On 10 July 2017, a Group subsidiary received a loan of \$400,000 at 5% pa interest repayable in 12 months or on demand.

On 18 August 2017, Birdzz Pty Ltd entered into an International Multi Unit Franchise Agreement (IMUFA) for Wingstop restaurants covering Australia and New Zealand which had been the subject of a deposit paid in May 2017.

On 11 September 2017, a Group subsidiary received a loan of \$2,200,000 at 9.65% pa interest repayable in 12 months or on demand.

On 20 September 2017, JBFG issued 25,316 shares to the parent entity, JBL, at \$7.90, for cash of \$199,996.40 for use as working capital.

**F6. SIGNIFICANT ACCOUNTING POLICIES & NEW ACCOUNTING STANDARDS**

Significant accounting policies have generally been included with the respective note disclosures. In addition to those disclosed previously, the below accounting policies are also considered significant to the Group, and the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.



**a) Payables**

Trade and other payables include amounts due in the ordinary course of business. Payments due within 12 months of the end of the reporting period are classified as current liabilities. All other payables are classified as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

**b) Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**c) New accounting standards for application in future periods**

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and have not been early adopted by the Group for the year ended 30 June 2017. The Group's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the Group are discussed below:

**i. AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* (AASB 9) is effective for annual periods beginning on or after 1 January 2018. It is expected to be adopted by the Group for the year ending 30 June 2019. Early adoption is permitted but is not planned at this stage.

The actual impact of adopting AASB 9 on the Group's consolidated financial statements is not yet known, and cannot be reliably estimated as it will depend on the financial instruments that the Group holds and economic conditions at that time, as well as accounting elections and judgements that the Group will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group is in the process of performing a preliminary assessment of the potential impact of AASB 9 based on the 30 June 2017 positions.

*Classification – financial assets*

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and cash flows received.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The standard removes the existing classifications of held to maturity, loans and receivables and available for sale under AASB 139.

AASB 9 removes the ability to separate embedded derivatives from host contracts that are financial assets and the hybrid financial instruments as a whole will be assessed for classification instead.

The Groups preliminary assessment based on 30 June 2017 indicates that the new classification requirements will not have a material impact on its accounting for financial instruments. At 30 June 2017, the Group held all equity investments at fair value through profit or loss, which is an allowable designation under AASB 9.

*Impairment – financial assets and contract assets*

AASB 9 replaces the 'incurred loss' model, with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for equity instruments, and contract assets. Loss allowances will be measured on either 12-month ECLs. These are the ECLs that result from possible default events within 12 months from reporting date, or lifetime ECLs, which are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement is applied if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, and 12 month ECL applies if not. Lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component, and this may be applied to all trade receivable and contract assets but this policy decision has not yet been made by the Group.

At 30 June 2017, no impairment has been recorded on trade receivables as there were no indicators of an incurred loss. The Group believes that the result of ECLs will be increased impairment losses for assets such as trade receivables. Based on 30 June 2017 financial assets, the impact is not expected to be material, however the Group will continually evaluate this.

*Classification – financial liabilities*

AASB 9 largely retains existing requirements under AASB 139, however, all fair value changes of liabilities designated at FVTPL are recognised in profit or loss, whereas under AASB 9 these are presented as follows:

- the change in fair value attributable to credit risk is presented in OCI; and
- the remaining amount is present in profit or loss.

The Groups preliminary assessment did not indicate any material impact if AASB 9's requirements regarding the classification of financial liabilities were applied at 30 June 2017.

*Disclosures*

AASB 9 will require extensive new disclosures, in particular around credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and control changes that it believes will be necessary to capture the required data.

*Transition*

Changes in accounting policies from the adoption of AASB 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts resulting from adoption will be recognised in equity as at 1 July 2018.
- New accounting requirements for hedging should be applied prospectively, but may be applied retrospectively for forward points. The Group is not expecting to apply hedge accounting.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial publication:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
  - The designation of certain investments in equity investments not held for trading as at FVTOCI.

**ii. AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB 15 is applicable for the 30 June 2019 consolidated financial statements. Early adoption is permitted, but is not planned at this stage.

The Group is in the process of completing an initial impact assessment from the adoption of AASB 15. Revenue streams are being evaluated to assess the impact of AASB 15. It is expected that AASB 15 will have an impact on the timing and recognition of revenue with respect to the following income items: professional services income, and management and performance fees. The quantitative impact of the adoption of the new standard is not yet known, and cannot be reliably estimated.

*Rendering of services*

The Group is involved in rendering of risk and security management services. If services under a single arrangement are rendered in different periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised based on stage of completion.

Under AASB 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells services in separate transactions.

Based on initial assessment, the fair value and stand-alone selling prices are relatively similar.

*Management and performance fees*

For management and performance fees earned by the Group, the value is variable based on the net tangible assets of the investments being managed. Revenue is recognised when recovery of the consideration is probable and the amount of revenue can be reliably measured.

Under AASB 15, variable consideration is estimated using one of the following:

- Expected value (sum of probability-weighted amounts in a range of possible outcomes); or
- Most likely amount (single most likely outcome when the transaction amount has a limited number of possible outcomes).

The above are capped at the 'constraint': an amount for which it is 'highly probable' that a significant reversal will not occur.

**iii. AASB 16 Leases**

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. The optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is applicable for the 30 June 2020 consolidated financial statements. Early adoption is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers*, but is not planned at this stage.

The Group has started performing an initial impact assessment, and so far the most significant impact is the recognition of new assets and liabilities for its operating leases of office space. In addition, the nature of expenses on leases will change. Straight-line operating lease expenses will be replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet determined if it will apply available exemptions. No significant impact is expected for the Group's finance leases.

**iv. AABS 2016-2 Disclosure Initiative (Amendments to AASB 7)**

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash items. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

1. In the opinion of the directors of John Bridgeman Limited ("the Company"):
  - (a) the financial statements and notes that are set out on pages 18 to 57 and the Remuneration report in pages 8 to 13 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2017 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the year ended 30 June 2017.
3. The directors draw attention to Note A2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



Director .....

Mr Stuart McAuliffe

Dated this 29 September 2017



# Independent Auditor's Report

To the shareholders of John Bridgeman Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of John Bridgeman Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



## Key Audit Matters

The **Key Audit Matters** we identified are:

- Accounting for investments in controlled entities;
- Carrying value of goodwill; and
- Management and performance fee revenue.

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Accounting for investments in controlled entities

Refer to Notes E2 and E3 to the Financial Report

#### The key audit matter

The Group holds interests in investment companies that it manages to derive investment income, in combination with management and performance fees. These investment companies, managed by the Group through Investment Management Agreements, hold significant investments in unlisted entities.

We consider this a Key Audit Matter given the complexity of the Group structure and the judgement involved in determining the appropriate classification and accounting for the Group's investments in listed and unlisted entities in accordance with Australian Accounting Standards. We focused on the following judgements in determining whether the Group controlled an investee at the year-end or from time to time during the financial year:

- The power the Group has over investees;
- The extent of exposure to returns or rights to variable returns from the Group's involvement in investees; and
- The ability for the Group to use its power or influence over investees to affect the amount of the return.

We involved our technical accounting specialists and senior team members with the assessment of this Key Audit Matter.

#### How the matter was addressed in our audit

Our procedures included, amongst others:

- Understanding the business of the investees to determine the activities that significantly affect the Group's returns.
- Identifying who had power over the investees' activities, including identifying any contradictory evidence for practical ability to direct relevant activities.
- Assessing the exposure that John Bridgeman Limited had to variable returns, such as ownership interests, and management and performance fees. This included determining the variability of the returns.
- Assessing the link between power and returns. This included identifying and determining the strength of any kick-out rights in relation to the Investment Management Agreements.

Carrying value of goodwill	
Refer to Note C10 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Goodwill has been recognised by the Group on consolidation of JB Financial Group Limited (JBFG). JBFG is a controlled entity of the Group which acquired a number of entities during the year ended 30 June 2017.</p> <p>The assessment of the carrying value of goodwill is considered a Key Audit Matter due to the subjectivity of forward-looking assumptions used in the fair value less cost of disposal impairment model and the significance of goodwill to the financial position of the Group. We have focused on the following significant aspects of the Group’s impairment testing:</p> <ul style="list-style-type: none"> <li>● forecast operating cash flows, forecast growth rates, and implied earnings multiple – the Group is growing quickly as a result of expansion into new business through mergers and acquisitions during the year. As such, forecast operating cash flows and growth rates are based on continued expansion of the underlying businesses. These assumptions are unobservable and therefore difficult to forecast; and</li> <li>● the determination of cash generating units (CGUs).</li> </ul> <p>In assessing this key audit matter, we involved senior audit team members and valuation specialists who understand the Group’s business, industry and the economic environment in which it operates.</p>	<p>Working with our valuation specialists, our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>● We considered the appropriateness of the fair value less costs of disposal method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.</li> <li>● We, with our valuation specialists, assessed the integrity of the fair value less costs of disposal model used, including the accuracy of the underlying calculation formulas.</li> <li>● We considered the Group’s determination of their CGUs based on our understanding of the Group’s business and the impact of the Group’s acquisition history.</li> <li>● We compared the forecast cash flows contained in the model to the Group’s budgets. We also performed sensitivity analysis on the model by varying key inputs and estimates in the forecast operating cash flows, within a reasonably possible range, to identify the risk of impairment, informing our procedures and to identify bias.</li> <li>● Working with our valuation specialists we compared the implied earnings multiples from comparable market transactions to the implied earnings multiple from the Group’s fair value less costs of disposal model.</li> </ul>



**Management and performance fee revenue**

Refer to Note B1 to the Financial Report

**The key audit matter**

The Group is required to exercise judgement in determining management and performance fee revenue. The Group recognised revenue of \$7,894,922 comprising:

- Management fees of \$785,600; and
- Performance fees of \$7,109,322.

The terms of these fees are set out in the Group’s Investment Management Agreements.

We consider the Group’s management and performance fee revenue a Key Audit Matter due to:

- The quantum of the management fee and performance fee income; and
- The calculation of performance fees is based on the fair value estimates of unlisted securities held by investment companies which the Group manage. The fair value of investments estimated by the Group is subjective and requires judgement when considering assumptions and techniques used by the Group to determine the fair value.

Due to the judgmental nature in the application of valuation techniques used to determine the fair value of unlisted securities held by investment companies managed by the Group, this necessitated additional audit focus, including the use of valuation specialists to assess the suitability and consistency with generally accepted valuation principles.

**How the matter was addressed in our audit**

Our procedures included, amongst others:

- For the valuation of unlisted securities where the Group use valuation models to estimate fair value, for a sample of securities, we worked with our valuation specialists to assess the appropriateness of the valuation techniques applied.
- Agreed the data used in the fee calculations to the underlying investment company portfolio information.
- Agreed the basis of the calculation of management fees and performance fees to that set out in the Investment Management Agreements.
- Agreed the benchmark performance to that set out in the Investment Management Agreements.
- On a sample basis, performed a recalculation of the management fee and performance fee calculations.





## Other Information

Other Information is financial and non-financial information in John Bridgeman Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, including the Remuneration Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of John Bridgeman Limited for the year ended 30 June 2017, complies with Section 300A of the Corporations Act 2001.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

### Our responsibilities

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' Report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KPMG

Simon Crane  
*Partner*

Brisbane  
29 September 2017

John Bridgeman Limited ACN 603 477 185  
**ADDITION INFORMATION FOR LISTED PUBLIC COMPANIES**

The following information is current as at 17 September 2017:

**1. Holdings – Shares, Options and Convertible Notes**

**a. Distribution of Holders**

Category (size of holding):	Number		
	Ordinary Shares	Ordinary Share Options	Convertible notes
100,001 and over	30	26	3
10,001 – 100,000	73	27	5
5,001 – 10,000	45	20	-
1,001 – 5,000	188	183	-
1 - 1000	5	1	-
	341	257	8

b. The number of shareholdings held in less than marketable parcels is Nil.

c. The names of the substantial shareholders listed in the Company's register are:

Shareholder:	Number Ordinary
John Hawkins Pty Ltd	5,550,000
Jarrad Robert Stuart <Stuart Investment A/c>	4,109,838
Stuart McAuliffe	5,598,000
Henry Avery Partners	5,550,000
Jan Holmes	1,726,289

**d. Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Ordinary share options

- These options have no voting rights.

Convertible notes

- These convertible notes have no voting rights.

John Bridgeman Limited ACN 603 477 185  
 ADDITION INFORMATION FOR LISTED PUBLIC COMPANIES

e. **20 Largest Shareholders – Ordinary Shares**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
John Hawkins Pty Ltd	5,000,000	20.84
Stuart Capital Pty Ltd <Stuart Investment A/C>	4,109,838	17.13
Wellington Capital Limited <Wellington Investment Fund>	3,016,300	12.57
Jan Holmes Pty Ltd <Jan Holmes Super Fund>	1,350,000	5.63
Mrs Christine Normile	889,000	3.71
Henry Avery Partners Pty Ltd	549,000	2.29
Tetue Pty Ltd <John & Barbara McAuliffe Retirement Fund>	445,430	1.86
Mr John McAuliffe	354,570	1.48
Waratah Investments Pty Ltd	323,588	1.35
Bretlen Pty Ltd <Bretlen Super A/C>	281,750	1.17
Prime Investment Management Services Pty Ltd	250,000	1.04
Mr Peter Aardoom & Mrs Carolyn Aardoom <Aardoom Super Fund>	250,000	1.04
Merapine Pty Ltd <The Schuh Group Finance>	250,000	1.04
Jan Holmes Pty Ltd <The Jan Holmes Superannuation Fund>	250,000	1.04
Nilcoy Pty Ltd <The Stuart Family S/F>	236,000	0.98
Mr John Alfred Clarebrough & Mrs Pamela Judith Clarebrough <Warrawee Super Fund A/C>	218,000	0.91
Elders FMC Pty Ltd	210,500	0.88
Gurravembi Investments Pty Ltd	200,000	0.83
Knablig Pty Limited <The Gilbank Family A/C>	200,000	0.83
Brett and Helen McAuliffe PL <Brett & Helen McAuliffe A/C>	197,750	0.82
Truebell Capital Pty Ltd <Truebell Investment Fund A/C>	167,500	0.70
Balmorrell Pty Ltd <The Balmorrell A/C>	167,150	0.70
Mr Peter Alexander Beveridge & Mrs Anne Jean Beveridge <Beveridge Super A/C>	163,000	0.68
Elders FMC Pty Ltd	162,586	0.68
	19,241,962	80.20

John Bridgeman Limited ACN 603 477 185  
 ADDITION INFORMATION FOR LISTED PUBLIC COMPANIES

f. **20 Largest Shareholders – Ordinary Share Options**

Name	Number of Ordinary Share Options	% Held of Ordinary Share Options
John Hawkins Pty Ltd	5,000,000	30.45
Stuart Capital Pty Ltd <Stuart Investment A/C>	2,250,000	13.70
Jan Holmes Pty Ltd <Jan Holmes Super Fund>	1,350,000	8.22
Wellington Capital Limited <Wellington Investment Fund>	1,016,000	6.19
Mrs Christine Normile	950,000	5.79
Henry Avery Partners Pty Ltd	549,000	3.34
Tetue Pty Ltd <John & Barbara McAuliffe Retirement Fund>	449,955	2.74
Mr John McAuliffe	350,045	2.13
Bretlen Pty Ltd <Bretlen Super A/C>	275,000	1.67
Mr Peter Aardoom & Mrs Carolyn Aardoom <Aardoom Super Fund>	250,000	1.52
Brett and Helen McAuliffe PL <Brett & Helen McAuliffe A/C>	250,000	1.52
Prime Investment Management Services Pty Ltd	250,000	1.52
Merapine Pty Ltd <The Schuh Group Finance>	250,000	1.52
Jan Holmes Pty Ltd <The Jan Holmes Superannuation Fund>	250,000	1.52
HSBC Custody Nominees (Australia) Limited	250,000	1.52
Elders FMC Pty Ltd	200,000	1.22
Truebell Capital Pty Ltd <Truebell Investment Fund A/C>	170,000	1.04
Peter Aardoom and Carolyn Aardoom <Aardoom Super Fund>	150,000	0.91
Prime Investment Management Services Pty Ltd <Aardoom Family>	150,000	0.91
Elders FMC Pty Ltd	130,000	0.79
Draycott Private Capital Pty Ltd	100,000	0.61
Cark Holdings Pty Ltd <Cark Superannuation Fund>	100,000	0.61
Mr John Alfred Clarebrough & Mrs Pamela Judith Clarebrough <Warrawee Super Fund A/C>	100,000	0.61
	<b>14,790,000</b>	<b>90.05</b>

John Bridgeman Limited ACN 603 477 185  
 ADDITION INFORMATION FOR LISTED PUBLIC COMPANIES

g. **All holders - Convertible Notes**

Name	Number of Ordinary Share Options	% Held of Ordinary Share Options
Dynasty Peak Pty Ltd <The Avoca Super Fund>	1,265,830	48.69
Stuart Capital Pty Ltd <Stuart Investment A/C>	949,370	36.51
John Alfred Clarebrough	169,370	6.51
Balmorrell Pty Ltd <The Balmorrell>	63,500	2.44
Mr Philip Ashley Ryan & Mr Jonathan James McCarthy <P A Ryan Pension Fund?	63,500	2.44
Mr Peter Alexander Beveridge & Mrs Anne Jean Beveridge <Beveridge Super>	63,500	2.44
Mr Garry Michael Edwards	12,650	0.49
Mitchell Tengbom	12,280	0.47
	2,600,000	100.00

2. The name of the Company secretaries are Jody Anne Wright and Kevin John Mischewski.

3. The address of the principal registered office in Australia is Level 9, 123 Eagle Street, Brisbane, QLD, 4000. Telephone 1300 108 495.

4. Registers of securities are held at the following addresses:

Queensland – Link Market Services, Level 15, 324 Queen Street, Brisbane, QLD, 4000

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares and the ordinary share options of the Company on all Member Exchanges of the National Stock Exchange of Australia Limited.