Announcement

Henry Morgan Limited
ACN 602 041 770

25 January 2018

JB Financial Group Ltd – 2017 Annual Report

Attached is a copy of the 2017 Annual Report for JB Financial Group Ltd (**JB Financial**).

JB Financial is a financial services company with foreign exchange dealing, specialist derivatives broking, proprietary trading, mercantile agency and investigation services, and a growing FinTech division. Henry Morgan Limited's (ASX: HML) unlisted investments include an equity interest in JB Financial.

ENDS

Kevin Mischewski
Company Secretary
Henry Morgan Limited

JB FINANCIAL

GROUP LTD

ANNUAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2017

JB FINANCIAL GROUP LTD ACN 613 592 135

The Directors present their report together with the consolidated financial statements of the Group comprising of JB Financial Group Ltd (JBFG or the Company) and its controlled entities for the period ended 30 June 2017 and the auditor's report thereon.

General information

Directors

The following persons were Directors of the Company during or since the end of the financial period up to the date of this report:

Peter Aardoom	Non-Executive Director	Appointed 11 July 2016
Michael Martin	Non-Executive Director	Appointed 11 July 2016
Jarrad Stuart	Non-Executive Director	Appointed 11 July 2016, resigned 15 December 2016
Stuart McAuliffe	Non-Executive Director	Appointed 15 December 2016
Samuel Elderfield	Non-Executive Director	Appointed 7 September 2017

Company Secretary

Peter Aardoom	Appointed 11 July 2016, resigned 10 August 2017
Kevin John Mischewski	Appointed 10 August 2017

Operating and financial review

Principal activities

The principal activities of the Group during the period included:

- 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; and
- emerging 'disruptive' technology applications in the financial services sector.

Our business model and objectives

The Group aims to deliver shareholder returns by providing exposure to selected private equity investments which allows the Board, management and shareholders' interests to be aligned.

Operating results

The following table shows a summary of financial highlights:

	2017 **$**
Operating revenue	6,444,500
Loss before tax	300,520
Loss after tax	206,990
Income tax benefit	93,530
Dividends paid	-

Review of operations

The Group commenced operations on 11 July 2016 and started generating earnings late in quarter two of the financial period. The Group generated revenue of $6,444,500 and incurred a loss after tax of $206,990 for the period ended 30 June 2017. A number of share issuances were made and businesses were acquired in the period, with details provided below:

- 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 Licence 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 Bartholomew Roberts Ltd (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 remaining 19.4% for consideration of 1,304,502 shares in JBFG valued at $5.51 per share, a total of $7,187,806.
- On 27 April 2017, JBFG acquired 100% of JB Alpha Ltd (formerly Alpha Equities & Futures Ltd). 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 25 May 2017, JBFG issued an additional 362,976 shares to BRL at $5.51 per share to raise $1,999,998.
- On 5 June 2017, JBFG acquired 100% of Risk & Security Management Limited (R&S), which included a 62% stake held by Bartholomew Roberts Limited. Consideration for the acquisition was the issue of 6,495,348 shares in JBFG at $6.14, a total of $39,881,436.

Subsequent events to reporting date

Other than the following, the Directors are not aware of any significant events since the end of the reporting period that may significantly affect the operations or the operating results of the Group.

On 11 September 2017, a Group subsidiary received a loan from John Bridgeman Limited of $2,200,000 at 9.65% pa interest repayable in 12 months or on demand. In settlement of share subscriptions, another Group subsidiary received from Bartholomew Roberts Limited $3,000,000 on 3 July 2017 and a further $400,000 on 12 July 2017.

On 20 September 2017, JBFG issued 25,316 shares to John Bridgeman Limited (JBL), at $7.90, for cash of $199,996 for use as working capital.

On 1 November 2017, JBFG exercised its right to convert a loan receivable from JB Markets to share capital. It thereby increased its investment by $1,551,520 ($1,500,000 outstanding as at 30 June 2017 and $51,520 of interest accrued to date) by acquiring 13,838 shares at a value of $112.12 per share.

Subsidiaries and assets acquired after the end of the year

a. Australian Legal Support Group

On 3 July 2017, subsidiary, R&S acquired 100% of the issued shares in Australian Legal Support Group Pty Ltd (ALSG) for a consideration of $3,000,000, plus an adjustment, estimated to be $953,607, for certain assets and liabilities on acquisition date. Of this adjustment $836,753 has already been paid ($817,000 was paid on 3 July 2017 and $19,753 which was paid on 19 July 2017). The remaining balance to be paid may change but is expected to be settled in December 2017. ALSG provides mercantile services and complements existing Group operations.

The provisional fair value of the identifiable net assets acquired was $1,000,356 thus goodwill is estimated to be $2,953,251. The provisional fair value of identifiable net assets is represented by:

Cash	587,809
Deposits	15,087
Trade receivables	873,882
Prepayments	11,119
Property, plant and equipment	46,749
Trade & other creditors	(414,655)
Income tax	(92,032)
Loans	(27,603)
Net assets	1,000,356

The finalised numbers are expected to differ with the recognition of employee entitlements and accruals.

No amount of goodwill is expected to be deductible for tax purposes.

There were no acquisition costs recognised, costs were categorised as normal operating costs of the Company.

b. Genesis Proprietary Trading

On 12 September 2017, JBFG entered into a share purchase agreement with the owners of Genesis Proprietary Trading Pty Ltd (GPT) to acquire a 100% stake in GPT. The consideration of $11,247,286 was settled in cash ($3,675,631), shares in JBFG to the value of $5,499,997 (895,765 shares at $6.14 per share) and by assuming a loan payable* to GPT ($2,071,658). Genesis is one of Australia's largest proprietary trading companies, with offices in Sydney, Melbourne, Manly and Warriewood. Management believes GPT's offering of services complements the broking services business within the Group.

The provisional fair value of the identifiable net assets acquired was $1,343,865 and goodwill is estimated to be $9,903,421. The provisional fair value of identifiable net assets is represented by:

Cash and cash equivalents	6,780,051
Other current assets	5,920,578
Property, plant and equipment	146,102
Intangible assets	25,680
Other non-current assets	720,865
Trade creditors and other payables	(7,067,151)
Payroll liabilities	(149,549)
Income tax provision	(32,711)
Borrowings	(5,000,000)
Net assets	1,343,865

Management is currently finalising the fair value assessment of identifiable assets and liabilities.

* The loan incurs interest at 5% per annum payable monthly in arrears. The loan is payable on demand in writing.

c. American Express Wholesale Currency Services (asset acquisition)

On 19 September 2017, JBFG entered into an Asset Transfer Agreement with American Express Wholesale Currency Services Pty Limited (AMEX) to acquire AMEX's wholesale currency business assets, including a state-of-the-art-secured vault facility (assets). The vault is a core physical asset used for the supply of foreign currency throughout Australia.

While JBFG paid a nominal amount in consideration for the business assets, the estimated fair value of the assets is $2.8 million, which represents the written down book value of the assets held by AMEX at sale completion.

JBFG has also agreed to take assignment of the lease which contains the assets. There is approximately 5 years remaining on the lease with an option to renew for a further 10 years on expiry in July 2022. Monthly commitments under the lease are $15,143 plus outgoings of $6,450 and the option. In addition, JBFG has provided a bank guarantee to the landlord of the premises for $66,096. Associated with the lease is an obligation to make-good the property to its original state upon: vacation of the premises, early termination or expiration of the lease. Due to the recent timing of the acquisition, and as valuation of the assets and make-good liabilities are still to be finalised, management believe it is impracticable at this stage to provide an estimate of goodwill.

In addition, over the period September to November 2017, JBFX Wholesale Pty Ltd (JBFX), a wholly owned subsidiary of JBFG, employed a team of key staff with direct experience in operating AMEX's wholesale business.

d. Schuh Group Finance

On 16 November 2017, JBFG acquired 100% of the share capital in Schuh Group Finance Pty Ltd in satisfaction of outstanding share subscription monies payable to JBFG ($999,999). Schuh Group is a consumer credit and mortgage broking business which management believes will complement other broking businesses within the Group. Due to the recent timing of the acquisition, management's assessment of the fair value of assets and liabilities acquired had not been completed, therefore the purchase price allocation is yet to be determined.

e. Growth Point Capital

On 17 November 2017, Bartholomew Roberts Ltd and Growth Point Ventures Pty Ltd entered into a share exchange agreement with Growth Point Capital Pty Ltd (GPC) and JBFG, pursuant to which those companies transferred their shares in GPC to JBFG, in return for 10 shares each in JBFG issued at $7.90 per share, a total consideration of $158. GPC holds purchased debt ledger assets, which management believes complements other businesses and other services offered within the JB Financial Group. Due to the recent timing of the acquisition, management's assessment of the fair value of assets and liabilities acquired had not been completed, therefore the purchase price allocation is yet to be determined.

Dividends paid or recommended

No dividends have been paid or recommended since incorporation of the Company to the date of this report.

Future developments, prospects and business strategies

The Group will continue to operate as follows:

i) Brokerage services – JB Markets will continue operations with mandates to provide brokerage services to external participants and investment companies managed by John Bridgeman Limited (NSX Listed), including Henry Morgan Limited (ASX Listed) and Benjamin Hornigold Ltd (ASX Listed). JB Alpha will continue to grow its business organically as an operating broker and dealer of equities and derivatives.

ii) Foreign currency sales – Kings Currency will grow its highly profitable and successful foreign currency businesses in Queensland with plans to expand nationally.

iii) Mercantile services – R&S will continue operations with mandates to drive growth organically and through acquisition.

iv) Application development – FinTech division is utilising new and emerging concepts such as block chain, machine learning, and big data to deliver innovative solutions to the financial services sector.

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 investment approach of the Group is based on the experience and skill of the Board. Investment decisions are based on many qualitative and quantitative inputs; including but not limited to, historical trends and assumptions about future developments. There is a risk, as with any business, that these assumptions may be incorrect and that the business may suffer as a result.

Environmental regulation

The Group has no direct exposure to environmental regulations.

Share options

No options were granted in the 2017 financial period and up to the date of this report.

Indemnifying officers

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

- The Group 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 Group, other than conduct involving a wilful breach of duty in relation to the Group. 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

No non-audit services have been performed by the Company auditor in the period.

Proceedings on behalf of Group

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

The Group 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 period ended 30 June 2017 has been received and can be found on page 4 of the financial report.

Rounding off

The Group is a Group 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.

Mr Stuart McAuliffe, Director

Dated: 29 November 2017

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

To the Directors of JB Financial Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of JB Financial Group Ltd for the financial period 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 November 2017

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	Note	11 July 2016 to 30 June 2017 $
Income		
Operating revenue	B1	6,422,805
Other income	B1	21,695
Total income		6,444,500
Expenses		
Operating expenses	B2	(4,574,680)
Administrative expenses	B2	(1,103,639)
Interest expense		(54,643)
Other expenses	B2	(1,012,058)
Total expenses		(6,745,020)
Profit / (loss) before income tax		(300,520)
Income tax (expense) / benefit	B3	93,530
Profit / (loss) for the year		(206,990)
Profit / (loss) for the year attributable to:		
Owners of the Company		(425,405)
Non-controlling interests	E4	218,415
		(206,990)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		-
Foreign currency translation differences on foreign operations		(673)
Other comprehensive income for the period		(673)
Total comprehensive income / (loss) for the period		(207,663)
Total comprehensive income / (loss) attributable to:		
Owners of the Company		(426,078)
Non-controlling interests	E4	218,415
		(207,663)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017
ASSETS		**$**
CURRENT ASSETS		
Cash and cash equivalents	C1	4,532,920
Financial assets held at fair value	D1	20,904
Trade receivables	C2	3,542,480
Other receivables	C3	14,023,183
Pre-payments and term deposits	C4	629,503
TOTAL CURRENT ASSETS		22,748,990
NON-CURRENT ASSETS		
Property, plant and equipment	C9	1,362,242
Intangibles	C10	46,094,856
Deferred tax assets	B3	1,559,589
Other non-current assets	C5	81,113
TOTAL NON-CURRENT ASSETS		49,097,800
TOTAL ASSETS		71,846,790
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	D2	325,900
Trade and other payables	C6	2,627,595
Borrowings	C7	5,325,054
Provisions	C8	764,106
Provision for income tax		628,389
TOTAL CURRENT LIABILITIES		9,671,044
NON-CURRENT LIABILITIES		
Borrowings	C7	243,785
Trade and other payables	C6	125,940
Provisions	C8	404,141
TOTAL NON-CURRENT LIABILITIES		773,866
TOTAL LIABILITIES		10,444,910
NET ASSETS		61,401,880
EQUITY		
Share capital	E1	68,750,440
Reserves		(6,923,505)
Accumulated losses		(425,405)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		61,401,530
NON-CONTROLLING INTERESTS	E4	350
TOTAL EQUITY		61,401,880

The accompanying notes form part of these consolidated financial statements.

	Note	Share capital	Retained earnings / (accumulated losses)	Shareholder change in interest reserve	Non-controlling interests	Foreign currency translation reserve	Total equity
		$	$	$	$		$
Opening Balance at 11 July 2016		-	-	-	-	-	-
Comprehensive income							
Profit/(loss) for the year		-	(425,405)	-	218,415	-	(206,990)
Other comprehensive income		-		-		(673)	(673)
Total comprehensive income		-	(425,405)	-	218,415	(673)	(207,663)
Transactions with owners of the Company							
Contributions							
Shares issued during the year	E1	68,750,440	-	-	-	-	68,750,440
Total contributions		68,750,440	-	-	-	-	68,750,440
Changes in ownership interests							
Acquisition of subsidiary with non-controlling interest		-	-	-	46,461	-	46,461
Purchase of NCI in subsidiaries		-	-	(6,922,832)	(264,526)	-	(7,187,358)
Total changes in ownership interests		-	-	(6,922,832)	(218,065)	-	(7,140,897)
Total transactions with owners of the Company		68,750,440	-	(6,922,832)	(218,065)	-	61,609,543
Balance at 30 June 2017		68,750,440	(425,405)	(6,922,832)	350	(673)	(61,401,880)

The accompanying notes form part of these consolidated financial statements.

	Note	11 July 2016 to 30 June 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		5,375,964
Payments to suppliers and employees		(5,946,593)
Interest received		1,664
Interest paid		(21,408)
Tax paid		(835,873)
Net cash used in operating activities	C1	(1,426,246)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment		(317,586)
Payments for purchases of intangible assets		(26,241)
Payments for advance to related party		(1,950,000)
Payments for investment (term deposit)		(341,818)
Payments for purchase of subsidiaries, net of cash acquired		(6,355,135)
Net cash used in financing activities		(8,990,780)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		11,795,492
Proceeds from borrowings		5,155,667
Payment of pre-acquisition dividends		(2,001,213)
Net cash provided by financing activities		14,949,946
Net increase in cash held		4,532,920
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year	C1	4,532,920

The accompanying notes form part of these consolidated financial statements.

A. ABOUT THIS REPORT

A1. REPORTING ENTITY

JB Financial Group Ltd (the 'Company') is a 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 period ended 30 June 2017, comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a subsidiary of John Bridgeman Limited (JBL). The Group was formed on 11 July 2016. 30 June 2017 is the Group's first reporting date and no comparative balances are presented.

All reference to 'subsidiary' and 'subsidiaries' in this report are for the purpose of accounting standards only.

The Group is a for-profit entity and is primarily involved in financial services, including broking and currency exchange, mercantile agency services and application development for the financial services sector.

The financial statements were authorised for issue by the Board of Directors on xx November 2017.

A2. BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards 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:

Carrying value of goodwill

The most significant portion of the Group's goodwill is contained within R&S and its subsidiaries. The Group has evaluated the recoverability of goodwill with reference to the value in use of the underlying businesses or cash generating units (CGU). To do this, the Group has relied on 5 year management forecasts, discounted by the weighted average cost of capital applicable for each CGU. Refer to C10 for details of carrying amounts and key assumptions used.

Recoverability of deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. The Group has evaluated the recoverability of deferred tax assets with reference to having sufficient forecasted taxable profits in the next five years.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Collectability of trade receivables

Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

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 E5.

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.

- **Foreign currency exchange revenue** – Foreign currency revenue is the difference between the cost and selling price of currency (foreign currency margin). Foreign currency margin revenue is recognised as earned when the transaction is completed. At period-end, the revaluation of foreign currency cash-on-hand to AUD is recognised in other income.
- **Professional 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.
- **Licensing fees** – Licensing fees are recognised in accordance with the substance of the agreement. This is recognised on a straight line basis over the life of the agreement for instances when licensee has the right to use certain technology for a specific period of time.
- **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.
- **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.

	11 July 2016 to 30 June 2017 **$**
Operating revenue	
Foreign currency exchange revenue	4,328,682
Professional services	1,062,708
Brokerage and commission	1,031,415
	6,422,805
Other income	
Licensing fees	10,262
Interest income	7,623
Unrealised losses on investments	(1,352)
Gains on foreign exchange	5,162
	21,695

B2. EXPENSES

	11 July 2016 to 30 June 2017 $
Operating expenses	
Commissions paid to investment brokers	248,191
Dealing expenses	2,836
Depreciation and amortisation	70,443
Rental expenses	716,500
Short-term employee benefits and fees	3,209,567
Post-employment employee benefits	312,744
Long-term employee benefits	14,399
	4,574,680
Administrative expenses	
Insurance	57,067
Professional services	744,038
Audit and accounting	302,534
	1,103,639
Other expenses	
Travel expenses	221,591
Market trading information	138,265
Marketing and advertising	133,302
Printing and stationery	103,968
Banking charges	41,209
Other	373,723
	1,012,058

B3. INCOME TAX AND DEFERRED TAX

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

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/(benefit) 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 based on substantively enacted tax legislation and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

	11 July 2016 to 30 June 2017
	$
Tax expense / (benefit)	
Current tax	978,557
Deferred tax	(1,072,087)
Income tax expense / (benefit)	(93,530)
Numerical reconciliation between income tax and result before tax	
Profit / (Loss) before tax	(300,520)
Income tax using domestic corporate tax rate 30%	(90,156)
Increase in income tax benefit due to:	
Permanent differences	(2,716)
Differential tax rates across jurisdictions	(658)
Income tax expense / (benefit)	(93,350)

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:

	2017 $
Deferred tax assets and (liabilities)	
Tax losses carried forward	892,772
Short term provisions and other payables	574,676
Investments	140,029
Trade receivables	(60,379)
Property, plant and equipment	(4,263)
Other current assets	16,754
Deferred tax assets and (liabilities)	1,559,589

As at 30 June 2017, net deferred tax assets of $958,121 had been recognised as part of businesses acquired as disclosed in Note E2.

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 period end exchange rates are recognised in profit or loss and classified as Other income (refer Note B1).

		Note	2017 $
a.	Components of cash and cash equivalents		
	Cash at bank *		1,769,744
	Currency held as stock		2,763,176
			4,532,920

* The Group's cash at bank includes $22,989 in restricted client funds.

		2017 $
b.	Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities	
	Profit / (loss) after income tax	(206,990)
	Adjustments for:	
	Unrealised losses on investments	1,352
	Depreciation and amortisation	70,443
		(135,195)
	Changes in:	
	Trade and other receivables	(1,068,224)
	Prepayments	(337,328)
	Deferred tax asset	(601,468)
	Payables	911,751
	Provisions	132,153
	Provision for income tax	(327,935)
	Net cash used in operating activities	(1,426,246)

c. Non-cash financing or investing activities

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

- On 26 April 2017, JBFG moved to 100% ownership of Kings by acquiring the final 19.4% for consideration of 1,304,502 shares in JBFG valued at $5.51 per share, a total of $7,187,806.
- On 27 April 2017, JBFG acquired 100% of JB Alpha Ltd (formerly Alpha Equities & Futures Limited) by acquiring 100% of its parent holding company, HPH Holdings Pty Ltd. 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 R&S including 62% from BRL. Consideration for the acquisition was the issue of 6,495,348 shares in JBFG at $6.14, a total of $39,881,436.

C2. TRADE 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.

	2017
	$
Trade receivables	3,216,476
Accrued receivables	326,004
	3,542,480

As at 30 June 2017, current trade receivables of the Group with a value of $82,599 were assessed as impaired. The individually impaired receivables relate to debtors which have been outstanding for more than 90 days. The ageing analysis of receivables, which includes accrued receivables of $326,004, is as follows:

Not overdue	Up to 3 months overdue	3 months and over overdue	Impaired Debts	Total
$1,946,859	1,382,356	$295,864	($82,599)	$3,542,480

C3. OTHER RECEIVABLES

Other receivables consist of short term loans and advances to other group companies; and funds receivable for shares issued ($8,385,706 in JBFG and $3,400,000 in R&S). The balances receivable are expected to be realised within 12 months of the reporting date. See F2 for further details.

	2017
	$
Short-term loans and advances	2,237,477
Receivables for shares issued	11,785,706
	14,023,183

C4. PRE-PAYMENTS AND TERM DEPOSITS

Term deposits are short-term deposits with a maturity of more than 3 months and less than one year.

	2017
	$
Pre-payments	220,230
Term deposits	409,273
	629,503

C5. OTHER NON-CURRENT ASSETS

	2017
	$
Property lease bonds – refundable	81,113

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.

	2017 $
Current	
Trade payables	1,974,777
Accrued expenses	564,479
Deferred payable in respect of subsidiary acquisition	60,000
Other	28,339
	2,627,595
Non – Current	
Other	125,940
	125,940

C7. BORROWINGS

	2017 $
Current	
Short term loans[1]	5,229,383
Finance lease liabilities[2]	89,655
Lease incentive liabilities[3]	4,928
Other	1,088
	5,325,054
Non – Current	
Finance lease liabilities[2]	208,188
Lease incentive liabilities[3]	9,133
Other	26,464
	243,785

[1] The short term loan represents funds advanced to Group companies from John Bridgeman Limited ($4,422,055) and Bartholomew Roberts Ltd ($807,329). The loans incur interest at 5% per annum and are to be settled within 12 months of their advance date. The lender has the option to convert the loan to shares in the borrower in lieu of part or full settlement of outstanding amounts at an agreed amount per ordinary share at any time prior to the due date.

[2] Finance lease liabilities consist of leases secured over motor vehicles with various rates of interest between 4.6% and 8.8%.

[3] Lease incentive liabilities relate to rental incentives in respect of business premises leased by the Group.

C8. PROVISIONS

	2017 $
Current	
Employee benefits	764,106
	764,106
Non – Current	
Employee benefits	262,955
Make-good on property leases	140,186
	404,141
Movement in Make Good provision on property leases	
Balance at 11 July 2016	-
Assumed as part of a business combination	139,571
Unwinding of discount	615
Balance at 30 June 2017	140,186

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 obligation or constructive obligation to pay this amount as a result of 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, then they are discounted.

C9. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at 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
- Computer and office 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:

	Note	Leasehold improvements	Computers and office equipment	Motor Vehicles	Total
Carrying amount					
Balance at 1 July 2016		-	-	-	-
Acquisitions through business combinations	E2	495,871	295,699	322,042	1,113,611
Additions		171,111	146,475	-	317,586
Depreciation		(19,320)	(40,014)	(9,621)	(68,955)
Impairment loss		-	-	-	-
Balance at 30 June 2017		**647,662**	**402,160**	**312,420**	**1,362,242**
Cost		666,981	442,174	322,042	1,431,197
Accumulated depreciation		(19,320)	(40,014)	(9,621)	(68,955)
Balance at 30 June 2017		**647,662**	**402,160**	**312,420**	**1,362,242**

The Group leases motor vehicles under a number of finance leases. The motor vehicles secure the lease obligations.

At 30 June 2017, the net carrying amount of leased equipment was $312,420.

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:

- 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:

2017	**Note**	**Goodwill**	**Software**	**Total**
Cost				
Balance at 1 July 2016		-	-	-
Acquisitions through business combinations	E2	46,023,938	46,165	46,070,103
Additions		-	26,241	26,241
Balance at 30 June 2017		**46,023,938**	**72,406**	**46,096,344**
Accumulated amortisation and impairment losses				
Balance at 1 July 2016		-	-	-
Amortisation		-	(1,488)	(1,488)
Balance at 30 June 2017		-	(1,488)	(1,488)
Carrying amounts as at 30 June 2017		**46,023,938**	**70,918**	**46,094,856**

Impairment testing for CGU's containing goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing. In accordance with the Group's accounting policies, impairment testing is conducted annually or more frequently if required.

For the purposes of impairment testing, goodwill is allocated to JBFG's management divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. For the period ended 30 June 2017, the Group identified 3 separate CGUs which reflect the way management was reporting and assessing results.

The Group uses the value in use method to estimate the recoverable amount of each CGU. Value in-use is calculated based on the present value of cash flow projections over a five-year period and includes a terminal value at the end of year five.

The cash flow projections over the five-year period are based on the Group's forecast for 2018 and year on year growth rates over the forecasted period based on management's estimates of underlying economic conditions, past performance and other factors anticipated to impact the CGU's performance. The long term growth rate used in calculating the terminal value is based on long term growth estimates for the industries in which the CGUs operate.

The cash flows are discounted to their present value using a pre-tax discount rate on a weighted average cost of capital adjusted for industry specific risks associated with each CGU.

Group overhead and corporate costs are allocated to the individual CGUs for impairment testing purposes.

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

	2017 $
Foreign currency business	7,498,400
Broking services business	2,831,382
Mercantile services business	35,694,156
	46,023,938

Key assumptions used to arrive at a recoverable amount for the foreign currency sales, broking services and mercantile services CGU include:

Assumption	Foreign Currency	Broking Services	Mercantile Services
Discount rate (post-tax)	8%	8%	12.2%
Annual growth (range across 5 year forecast)	3%-5%	3%-5%	5%-8%
Terminal value growth	2%	2%	3%

A sensitivity analysis performed by the Group indicates that a reasonable change in any of the key assumptions would not result in material impairment of goodwill as at 30 June 2017.

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 and 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.

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**

  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. 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.

- Borrowings and other liabilities

  This includes borrowings and trade and other payables. These are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method (long term) or at cost (short term).

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. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

Impairment of financial assets

At the end of the reporting period the Group 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 assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment is recognised through the use of allowance accounts.

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. 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. 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.

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**
Investments measured at fair value							
Investment in commodities	20,904	-	20,904	20,904	-	-	20,904

Financial asset and liabilities not measured at fair value

For cash, trade and other receivables, and trade and other payables, given the short term nature the carrying amount approximates the fair value. Management are satisfied that discounting of non-current borrowings and payables, and non-current other assets to their fair-value would not have a material effect on their carrying value.

D2. FINANCIAL RISK MANAGEMENT

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

The Group'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 Group'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 and interest rates.

The Group is predominantly exposed to market risk from its investment activities. The Group seeks to reduce the risk by a policy of diversification of investments across industries and companies operating in various business sectors.

(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 following table summarises the Group's net currency exposure from its financial assets and financial liabilities at the reporting date:

	2017
	$
United States Dollar	456,748
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
	2,119,703

Currency risk sensitivity analysis

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

	Sensitivity rates	Strengthened 2017	Weakened 2017
		$	$
United States Dollar	3%	(13,702)	13,702
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
		(60,622)	60,622

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 management's estimate (3%) 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 holds financial assets and financial liabilities which bear interest, either fixed or variable. Consequently, the Group is exposed to the changes in market interest rates that may have a negative impact, either directly or indirectly, on net assets and results.

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

2017	**Non-interest bearing**	**Fixed interest rate**	**Variable interest rate**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	4,532,920	-	-	4,532,920
Trade receivables	3,542,480	-	-	3,542,480
Other current assets	14,023,182	-	-	14,023,182
Other non-current assets	81,113	-	-	81,113
Term deposits	-	409,273	-	409,273
	22,187,695	409,273	-	22,588,968

2017	**Non-interest bearing**	**Fixed interest rate**	**Variable interest rate**	**Total**
	$	**$**	**$**	**$**
Financial Liabilities				
Short term loan	-	5,229,383	-	5,229,383
Finance lease liabilities	-	297,844	-	297,844
Bank overdraft	-	-	325,900	325,900
Other loans	-	27,552	-	27,552
Trade and other payables	2,753,535	-	-	2,753,535
	2,753,535	5,554,779	325,900	8,634,214

Interest rate risk 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 given the majority of financial assets and liabilities are either non-interest bearing or subject to fixed interest rates. 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 in commodities (silver).

Price risk sensitivity analysis

A change of 10% in market prices applicable at reporting date would not have materially changed the Group's profit and increased the Group's net assets and results. This analysis assumes all other variables remain constant.

The sensitivity of the consolidated Group's profit and net assets is estimated using management's knowledge of the investment markets. The actual movement in commodity 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.

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

	2017
	$
Cash and cash equivalents (a)	4,532,920
Trade and other receivables (b)	17,565,662
Deposits (c)	81,113
Term deposits (a)	409,273
	22,588,968

(a) A portion of cash balances are held as stock-on-hand and not exposed to credit risk. The remaining balances are held with AA- rated retail banks.

(b) As at 30 June 2017, an impairment of $82,599 was recognised against trade receivables. The debtors are not rated. The Directors believe that the remaining balances are collectible in full. Except for trade and other receivables from related parties, there is no significant concentration of receivables on specific industry, location or counterparty. Trade debtors ($3,542,480) are reviewed monthly by management of the relevant operating divisions with appropriate action undertaken to encourage payment. Management manages credit risk on other receivables ($14,023,183) by carrying out due diligence on, and making enquiries of counterparties.

(c) These debtors are not rated. The Directors believe that the balances 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:

2017	**Carrying amount**	**Contractual cash flow**	**At call**	**Less than 1 year**	**2-5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**
Non-derivative financial liabilities						
Bank overdraft	325,900	325,900	325,900	-	-	-
Trade and other payables	2,753,535	2,753,535	-	2,627,595	125,940	-
Borrowings	5,256,935	5,487,552	-	5,461,088	26,464	-
Finance leases	297,844	336,332	-	102,501	233,831	-
	8,634,214	**8,903,319**	**325,900**	**8,191,184**	**386,235**	**-**

The Group's approach to managing liquidity risk is to ensure it has sufficient liquidity to meet these liabilities. The Group holds sufficient working capital to meet these liabilities.

E. CAPITAL STRUCTURE AND FINANCING

E1. CAPITAL

		2017
a.	**Share capital**	**Shares**
	Ordinary shares	25,303,788
	Movements in shares on issue:	**$**
	1,200 ordinary shares issued at $1.00 on 11 July 2016	1,200
	235 ordinary shares issued at $26,595.74 on 9 December 2016	6,250,000
	72 ordinary shares issued at $26,805.56 on 30 December 2016	1,930,000
	15,068,493 ordinary shares issued on 3 March 2017 (share split 1:10,000)	-
	3,119,384 ordinary shares issued at $5.51 on 26 April 2017[1]	17,187,806
	256,080 ordinary shares issued at $5.86 on 27 April 2017[2]	1,500,000
	362,976 ordinary shares issued at $5.51 on 25 May 2017	1,999,998
	6,495,348 shares issued at $6.14 on 5 June 2017[3]	39,881,436
	Balance at the end of the year	68,750,440

[1]$7,187,806 was settled with the acquisition of King's (and Harnewei) on 26 April 2017.

[2]$1,500,000 was settled with the acquisition of Alpha Broking & HPH Holding on 27 April 2017.

[3]$39,881,436 was settled with the acquisition of Risk & Security Management Group on 5 June 2017.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The ordinary shares have no par value and the Company does not have a limited amount of authorised share capital.

b. **Capital management**

The Company's capital consists of ordinary share capital.

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.

c. **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.

d. **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 investee. 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. Valuation techniques of assets acquired include market comparison, cost technique and depreciated replacement cost when appropriate. The fair value of identifiable net assets and resulting goodwill is represented by:

2017	JB Markets Pty Ltd	Alpha Broking & HPH Holding	King's (and Harnewei)	Risk & Security Management Group	TOTAL
Acquisition date	01-Aug-16	27-Apr-17	06-Dec-16	05-June-17	
Cash	61,344	191,372	2,316,006	454,566	**3,023,288**
Investments	-	22,285	-	-	**22,285**
Receivables	-	153,526	323,863	5,684,344	**6,161,733**
Property, plant and equipment	-	36,379	619,678	457,554	**1,113,611**
Intangibles	-	3,259	-	42,906	**46,165**
Prepayments	-	-	-	31,470	**31,470**
Tax assets / (liabilities)	-	67,092	-	891,029	**958,121**
Payables	(3,353)	(77,247)	(2,474,263)	(1,543,891)	**(4,288,754)**
Borrowings	-	-	(80,848)	(624,989)	**(705,837)**
Provisions	(7,568)	(78,048)	(478,274)	(1,205,709)	**(1,769,599)**
Net assets / (liabilities) acquired	**50,423**	**318,618**	**226,162**	**4,187,280**	**4,782,483**
Purchase of NCI[1]	-	-	6,922,832	-	**6,922,832**
Value of NCI acquired	-	-	218,412	-	**218,412**
Consideration transferred:					
Cash	200,423	1,500,000	7,678,000	-	**9,378,423**
Share swap	-	1,500,000	7,187,806	39,881,436	**48,569,242**
Total consideration	200,423	3,000,000	14,865,806	39,881,436	**57,947,665**
Goodwill	150,000	2,681,382	7,498,400	35,694,156	**46,023,938**

[1]Transferred to Shareholder change in interest reserve.

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
- JB Credit Pty Ltd

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

On 1 August 2016, JBFG acquired 100% of 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 activities of other group companies.

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 the Company. No acquisition costs were capitalised as part of the cost of the investment.

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 $787,698.

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

On 27 April 2017, the Company acquired JB Alpha by acquiring 100% of the issued shares of the parent, HPH Holdings Pty Ltd, for a consideration of $3,000,000, 50% of which was settled in cash and 50% by the issue of 256,080 shares in the Company valued at $5.857 (based on an internal valuation).

The business provides broking services, and the directors believe the acquisition of JB Alpha 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 JB Alpha. The acquisition is recorded as an investment in a subsidiary by the Company. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

JB Alpha 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 JB Alpha would have contributed $1,110,024 in revenue and a profit for the year of $168,635.

King’s Currency Exchange Pty Ltd and its associate Harnewei Pty Ltd (King's)

In two tranches during November and December 2016, the Company 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 26 April 2017, the remaining 19.4% was acquired by the Company for $7,187,806, settled in 1,304,502 of the Company’s 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. Kings 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 the Company. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

Kings 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.

Risk & Security Management Ltd (R&S)

On 5 June 2017, the Company acquired a 100% stake in the R&S group of companies. The group’s operating activities include trademark investigations, personnel background screening, skip location services, property repossessions, surveillance and document serving services. JBFG issued shares at $6.14 to Bartholomew Roberts (4,027,844 shares) and other shareholders (2,467,504 shares) as full consideration for acquisition ($39,881,436). Companies acquired in the R&S Group include:

- Trademark Investigation Services business,
- Trademark Investigation Services business New Zealand,
- Yates Professional Investigations Pty Ltd,
- IDS Group Pty Ltd,
- Advance Group Holdings Pty Ltd, and
- Ashdale Integrity Solutions Pty Ltd.

The Directors believe there is growth potential in the trademark investigation industry and related services. The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of individual companies within the group. During the period held in June of 2017, the group contributed $1,062,360 in revenue and loss after tax of $122,526. If the acquisition had occurred on 1 July 2016, management estimates that R&S would have contributed $3,813,891 in revenue and a loss for the year of $1,807,796 (after tax). This estimate is based on the actual reported result for the R&S Group for the year which included staggered business acquisitions and a one-off consultancy fee of $2,168,583 ($1,518,008 after tax).

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 At 30 June2017
Parent Company		
JB Financial Group Ltd (JBFG)	Australia	
Controlled entities		
Risk & Security Management Limited (R&S)	Australia	100%
IDS Group Pty Ltd	Australia	100%
Trademark Investigation Services business	Australia	100%
Trademark Investigation Services (NZ) Ltd	New Zealand	100%
Yates Professional Investigations Pty Ltd	Australia	100%
Ashdale Integrity Solutions Pty Ltd	Australia	100%
JB Markets Pty Ltd	Australia	100%
HPH Holdings Pty Limited	Australia	100%
JB Alpha Ltd	Australia	100%
Kings Currency Exchange Pty Ltd	Australia	100%
Harnewei Pty Ltd	Australia	100%
JB Fintech Services Pty Ltd	Australia	100%
JB International Payments Pty Ltd	Australia	100%
JB Trading Services Pty Ltd	Australia	100%
Piggybk Holdings Pty Ltd	Australia	67.5%
Funz Holdings Pty Ltd	Australia	75%
JBFX Wholesale Pty Ltd	Australia	100%
JBFX Retail Pty Ltd	Australia	100%
JB Credit Pty Ltd	Australia	100%

E4. NCI

At 30 June 2017 Non-controlling Interests held an immaterial stake ($350) in the Group's subsidiaries.

E5. PARENT ENTITY DISCLOSURES

As at, and throughout, the period ended 30 June 2017 the parent entity of the group was JB Financial Group Ltd.

	2017 $
Result of parent entity	
Profit / (loss) for the year	(261,290)
Other comprehensive income	-
Total comprehensive loss for the year	(261,290)
Financial position of parent entity at period end	
Current Assets	14,787,814
Non-current Assets	58,105,712
Total Assets	72,893,526
Current Liabilities	4,404,376
Non-current Liabilities	-
Total Liabilities	4,404,376
Net Assets	68,489,150
Total equity of the parent entity comprising of:	
Share capital	68,750,440
Reserves	-
Retained earnings	(261,290)
Total Equity	68,489,150

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.

Key management personnel benefits

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

	11 July 2016 to 30 June 2017 $
Short-term benefits and fees	754,915
Post-employment benefits	66,967
Long-term benefits	8,446
Share-based payments	-
	830,328

Short-term benefits and fees

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

Long-term benefits

These amounts relate to amounts provided for long-service leave.

Post-employment benefits

These amounts represent superannuation and superannuation equivalents paid to KMP.

F2. RELATED PARTY TRANSACTIONS

In the normal course of business, the may Group transact with related parties (for accounting standards). During the period ended 30 June 2017, the following related party transactions occurred:

i) The compensation arrangements with the Directors;

ii) The interest in the Company held directly and indirectly by the Non-Executive Directors; and

iii) Various loans, agreements and equity transactions occurred between entities within the Group and with entities with common directors or shareholders 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
R&S	Risk & Security Management Pty Ltd (formerly Risk & Security Management Ltd)

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

a. **Equity transactions**

JBFG (formerly JB Broking) was incorporated on 11 July 2016, with BRL acquiring 720 shares at $1 per share. At the same time, an entity associated with Stuart McAuliffe also acquired 240 shares for $1 per share. Stuart McAuliffe is a common director of HML, JBFG and BRL. In August 2016, HML acquired 300 shares in JBFG by way of transfer from BRL at $167 per share. Shares were also transferred to third parties on similar terms.

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.

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 25 May 2017, JBFG issued an additional 362,976 shares at $5.51 per share to raise $1,999,998 in cash.

b. **Transactions in relation to subsidiaries**

On 26 April 2017, JBFG moved to 100% ownership of Kings by acquiring the final 19.4% for consideration of 1,304,502 shares in JBFG valued at $5.51 per share, a total of $7,187,806.

On 5 June 2017, JBFG acquired 100% of R&S, including 62% from BRL. Consideration for the acquisition was the issue of 6,495,348 shares in JBFG at $6.14, a total of $39,881,436.

c. **Other transactions**

Loans were provided between entities within the Group throughout the year 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.

JB Markets has entered into services agreements with BHD and HML for the provision of broking services. The companies share common directors. The services agreement sets out the obligations and responsibilities of JB Markets, and the manner in which fees will be charged.

At the end of the period, R&S had an outstanding receivable of $3,400,000 from BRL for R&S shares subscribed to on 19 April 2017. These subscription monies have since been paid (refer to note F5).

A summary of fees, interest earned and incurred, borrowings, payables and receivables arising from related party transactions are provided below:

Company	**Nature of transaction**	**Transaction values for the period ended 30 June 2017**	**Balance outstanding at 30 June 2017**
John Bridgeman Limited	Employment benefits receivable	281,168	281,168
John Bridgeman Limited	Share issue by JBFG	-	1,499,998
John Bridgeman Limited	Short-term borrowings [1]	4,200,000	4,200,000
John Bridgeman Limited	Interest expense and payable	22,055)	(22,055)
Bartholomew Roberts Limited	Share issue by JBFG	-	2,545,723
Bartholomew Roberts Limited	Share issue by R&S	-	3,400,000
Bartholomew Roberts Limited	Short-term borrowings [1]	800,000	800,000
Bartholomew Roberts Limited	Interest expense and payable	7,329	7,329
Henry Morgan Limited	Broking fees earned and receivable	573,798	573,798
Growth Point Capital Limited	Short-term loan (receivable)	1,950,000	1,950,000
Growth Point Capital Limited	Interest income and receivable	5,959	5,959

[1] The short term loans represent funds advanced, which incur interest at 5% per annum, and are to be settled within 12 months of their advance date. The lender has the option to convert the loan to shares in the borrower in lieu of part or full settlement of outstanding amounts at an agreed amount per ordinary share at any time prior to the due date.

F3. LEASE COMMITMENTS

Operating Leases

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:

	2017 $
Within 1 year	1,829,236
Between 1 year and 5 years	5,083,528
Later than 5 years	1,590,668
	8,503,432

Finance Leases

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating lease and are not recognised in the statement of financial position.

Commitments in relation to finance leases payable are as follows:

		2017 $
Within 1 year		102,501
Between 1 year and 5 years		233,381
Later than 5 years		-
Minimum lease payments		336,332
Future finance charges		(38,489)
Recognised as borrowings	**C7**	297,843
Within 1 year		90,771
Between 1 year and 5 years		207,072
Later than 5 years		-
Lease liability	**C7**	297,843

Finance lease liabilities consist of leases secured over motor vehicles with various rates of interest between 4.6% and 8.8%.

F4. AUDITORS' REMUNERATION

	2017 $
Auditors of the Company - KPMG	
Audit of financial statements	215,025
Audit financial services license	22,000
	237,025

Auditors of JB Alpha Ltd – BDO East Coast Partnership	
Audit of financial statements	11,000
Audit of financial services license	2,500
	13,500
	250,525

F5. SUBSEQUENT EVENTS

Other than the following, the Directors are not aware of any significant events since the end of the reporting period that may significantly affect the operations or the operating results of the Group.

On 11 September 2017, a Group subsidiary received a loan from John Bridgeman Limited of $2,200,000 at 9.65% pa interest repayable in 12 months or on demand. In settlement of share subscriptions, another Group subsidiary received from Bartholomew Roberts Limited $3,000,000 on 3 July 2017 and a further $400,000 on 12 July 2017.

On 20 September 2017, JBFG issued 25,316 shares to John Bridgeman Limited (JBL), at $7.90, for cash of $199,996 for use as working capital.

On 1 November 2017, JBFG exercised its right to convert a loan receivable from JB Markets to share capital. It thereby increased its investment by $1,551,520 ($1,500,000 outstanding as at 30 June 2017 and $51,520 of interest accrued to date) by acquiring 13,838 shares at a value of $112.12 per share.

Subsidiaries and assets acquired after the end of the year

a. Australian Legal Support Group

On 3 July 2017, subsidiary, R&S acquired 100% of the issued shares in Australian Legal Support Group Pty Ltd (ALSG) for a consideration of $3,000,000, plus an adjustment, estimated to be $953,607, for certain assets and liabilities on acquisition date. Of this adjustment $836,753 has already been paid ($817,000 was paid on 3 July 2017 and $19,753 which was paid on 19 July 2017). The remaining balance to be paid may change but is expected to be settled in December 2017. ALSG provides mercantile services and complements existing Group operations.

The provisional fair value of the identifiable net assets acquired was $1,000,356 thus goodwill is estimated to be $2,953,251. The provisional fair value of identifiable net assets is represented by:

Cash	587,809
Deposits	15,087
Trade receivables	873,882
Prepayments	11,119
Property, plant and equipment	46,749
Trade & other creditors	(414,655)
Income tax	(92,032)
Loans	(27,603)
Net assets	1,000,356

The finalised numbers are expected to differ with the recognition of employee entitlements and accruals.

No amount of goodwill is expected to be deductible for tax purposes.

There were no acquisition costs recognised, costs were categorised as normal operating costs of the Company.

b. Genesis Proprietary Trading

On 12 September 2017, JBFG entered into a share purchase agreement with the owners of Genesis Proprietary Trading Pty Ltd (GPT) to acquire a 100% stake in GPT. The consideration of $11,247,286 was settled in cash ($3,675,631), shares in JBFG to the value of $5,499,997 (895,765 shares at $6.14 per share) and by assuming a loan payable* to GPT ($2,071,658). Genesis is one of Australia's largest proprietary trading companies, with offices in Sydney, Melbourne, Manly and Warriewood. Management believes GPT's offering of services complements the broking services business within the Group.

The provisional fair value of the identifiable net assets acquired was $1,343,865 and goodwill is estimated to be $9,903,421. The provisional fair value of identifiable net assets is represented by:

Cash and cash equivalents	6,780,051
Other current assets	5,920,578
Property, plant and equipment	146,102
Intangible assets	25,680
Other non-current assets	720,865
Trade creditors and other payables	(7,067,151)
Payroll liabilities	(149,549)
Income tax provision	(32,711)
Borrowings	(5,000,000)
Net assets	1,343,865

Management is currently finalising the fair value assessment of identifiable assets and liabilities.

* The loan incurs interest at 5% per annum payable monthly in arrears. The loan is payable on demand in writing.

c. American Express Wholesale Currency Services (asset acquisition)

On 19 September 2017, JBFG entered into an Asset Transfer Agreement with American Express Wholesale Currency Services Pty Limited (AMEX) to acquire AMEX's wholesale currency business assets, including a state-of-the-art-secured vault facility (assets). The vault is a core physical asset used for the supply of foreign currency throughout Australia.

While JBFG paid a nominal amount in consideration for the business assets, the estimated fair value of the assets is $2.8 million, which represents the written down book value of the assets held by AMEX at sale completion.

JBFG has also agreed to take assignment of the lease which contains the assets. There is approximately 5 years remaining on the lease with an option to renew for a further 10 years on expiry in July 2022. Monthly commitments under the lease are $15,143 plus outgoings of $6,450 and the option. In addition, JBFG has provided a bank guarantee to the landlord of the premises for $66,096. Associated with the lease is an obligation to make-good the property to its original state upon: vacation of the premises, early termination or expiration of the lease. Due to the recent timing of the acquisition, and as valuation of the assets and make-good liabilities are still to be finalised, management believe it is impracticable at this stage to provide an estimate of goodwill.

In addition, over the period September to November 2017, JBFX Wholesale Pty Ltd (JBFX), a wholly owned subsidiary of JBFG, employed a team of key staff with direct experience in operating AMEX's wholesale business.

d. Schuh Group Finance

On 16 November 2017, JBFG acquired 100% of the share capital in Schuh Group Finance Pty Ltd in satisfaction of outstanding share subscription monies payable to JBFG ($999,999). Schuh Group is a consumer credit and mortgage broking business which management believes will complement other broking businesses within the Group. Due to the recent timing of the acquisition, management's assessment of the fair value of assets and liabilities acquired had not been completed, therefore the purchase price allocation is yet to be determined.

e. Growth Point Capital

On 17 November 2017, Bartholomew Roberts Ltd and Growth Point Ventures Pty Ltd entered into a share exchange agreement with Growth Point Capital Pty Ltd (GPC) and JBFG, pursuant to which those companies transferred their shares in GPC to JBFG, in return for 10 shares each in JBFG issued at $7.90 per share, a total consideration of $158. GPC holds purchased debt ledger assets, which management believes complements other businesses and other services offered within the JB Financial Group. Due to the recent timing of the acquisition, management's assessment of the fair value of assets and liabilities acquired had not been completed, therefore the purchase price allocation is yet to be determined.

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 and expenses

Trade and other payables include amounts due in the ordinary course of business. Payables and expenses are accrued as they are incurred. 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 period 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 15 Revenue from Contracts with Customers (AASB 15)

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 financial statements. Early adoption is permitted but is not planned at this stage.

The Company 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. The quantitative impact of the adoption of the new standard is not yet known, and cannot be reliably estimated.

(ii) AASB 9 Financial Instruments (AASB 9)

AASB 9 *Financial Instruments* (AASB 9) replaces AASB 139 and supersedes AASB 9 versions previously issued in December 2007 and December 2010. The new standard is effective for annual periods beginning on or after 1 January 2018 and applicable to the Company from 1 July 2018.

The new standard includes a model for reclassification and measurement, a single for looking 'expected loss' impairment model and a reformed approach to hedge accounting. The Company has carried out a preliminary impact assessment of the new standard. No material impact is expected for the Company.

(iii) AASB 16 Leases (AASB 16)

AASB 16 introduces a single, on-balance lease sheet 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. There are 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 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 an initial assessment of the potential impact on the financial statements. The Group expects to recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as AASB 16 replaces the straight-line operating lease expense with a deprecation charge for right-of-use assets and interest expense on lease liabilities. No significant impact is expected for the Group's finance leases. The Company is yet to determine the quantitative impact of the new standard.

(iv) AABS 2016-2 Disclosure Initiative (Amendments to AASB 107)

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 changes. 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 Company 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 JB Financial Group Ltd ("the Company"):
   (a) the financial statements and notes that are set out on pages 12 to 40 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 period 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 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 November 2017

KPMG

Independent Auditor's Report

To the shareholders of JB Financial Group Ltd

Opinion

We have audited the ***Financial Report*** of JB Financial Group Ltd (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 period 11 July 2016 to 30 June 2017; 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 period 11 July 2016 to 30 June 2017
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

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.

Other Information

Other Information is financial and non-financial information in JB Financial Group Ltd'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.

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.

KPMG

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/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Simon Crane
Partner

Brisbane
29 November 2017