Henry Morgan

Announcement

Henry Morgan Limited
ACN 602 041 770

10 August 2018

Update on JB Financial Group transaction

It has come to the attention of the Company that the **attached** document is now publicly available on the ASIC Register. The Company was made aware of this fact by ASIC today.

The Company is immediately releasing the document in accordance with its continuous disclosure obligations.

The finalised Notice of Meeting will be despatched following regulatory confirmation.

Further details will be provided as they become available.

Kevin Mischewski
Company Secretary
Henry Morgan Limited

Email: cosec@henrymorgan.com.au

Australian Securities & Investments Commission

Form 5057A
Corporations Act 2001

Related party benefits – proposed notice, explanatory statement & accompanying documents

Related form:
CF11 Related party benefits – applications
Use this form to lodge documents under Section 218(1) Corporations Act 2001
Attach the documents indicated below to this form.

Document type

Indicate in the appropriate box the type of document(s) included with this form.

Notice and material for meeting to approve financial benefit – ASIC form code 5057A

- [x] Proposed notice of meeting
- [x] Proposed explanatory statement
- [x] Documents accompanying notice of meeting
- [ ] Other material document regarding proposal

Company details

Company/entity name
Henry Morgan Limited

ACN/ABN/ARBN/ARSN
ACN 602 041 770

Lodgement details

Who should ASIC contact if there is a query about this form?

Name
Luke Dawson

ASIC registered agent number (if applicable)
1653

Company name
HopgoodGanim Lawyers

ACN/ABN/ARBN
N/A

Telephone number
(07) 3024 0412

Postal address
PO Box 7822, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000

Email address (optional)
l.dawson@hopgoodganim.com.au

Signature

I certify that the information in this form is true and complete.

Name

Kevin Mischewski

Capacity

Company Secretary

Entity name (if acting as an agent)

Signature

Date signed

0 6 / 0 8 / 1 8

[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 9827 in your capital city

For more information

Web	www.asic.gov.au
Need help?	www.asic.gov.au/question
Telephone	1300 300 630

HopgoodGanim
LAWYERS

BRISBANE

Level 8, Waterfront Place
1 Eagle Street
Brisbane Qld 4000 Australia

PO Box 7822, Waterfront Place
Brisbane Qld 4001 Australia

ABN: 54 105 489 661

6 August 2018

Hand delivery

Attn: Mr Ben Phillips
Australian Securities and Investments Commission
Level 20
240 Queen Street
Brisbane Qld 4000

Our ref: 1737725 – Luke Dawson

Dear Mr Phillips

Henry Morgan Limited ACN 602 041 770

As you are aware, we act on behalf of Henry Morgan Limited (the **Company**). The Company proposes to convene an Extraordinary General Meeting (**EGM**). At the EGM, the Company is proposing to seek shareholder approval for the purposes of Chapter 2E of the *Corporations Act 2001* (Cth) (**Corporations Act**).

Accordingly, pursuant to section 218 of the Corporations Act we enclose:

1. ASIC Form 5057A (Related party benefits – proposed notice, explanatory statement & accompanying documents);
2. Proposed Notice of Extraordinary General Meeting containing the original signature of the Company Secretary (Mr Kevin Mischewski);
3. Proposed Explanatory Memorandum for Shareholders;
4. Proposed Proxy Form;
5. Independent Expert's Report; and
6. Cheque in the sum of $802.00 in payment for the fee for lodgement of ASIC Form 5057A.

Please do not hesitate to contact us if you have any queries.

Yours faithfully

HopgoodGanim

HopgoodGanim Lawyers

Contact: **Luke Dawson**
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Partner responsible: Michael Hansel

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Henry Morgan

Notice of Extraordinary General Meeting and Explanatory Memorandum

Henry Morgan Limited ACN 602 041 770

Date of Meeting:	Wednesday, 12 September 2018
Time of Meeting:	10:00am (Brisbane time)
Place of Meeting:	Queensland Club, 19 George Street, Brisbane QLD 4000

This Notice of Extraordinary General Meeting, Explanatory Memorandum and Independent Expert's Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

The Independent Expert, Leadenhall Corporate Advisory Pty Ltd, has concluded that the Transaction is **fair and reasonable** to the Non-Associated Shareholders.

The Non-Interested Directors unanimously recommend you vote in favour of the Resolution to approve the Transaction.

KEVIN JOHN MISCHEWSKI
COMPANY SECRETARY
6 AUGUST 2018

Notice of Extraordinary General Meeting

6 August 2018

Dear Shareholder

The Independent Expert, Leadenhall Corporate Advisory Pty Ltd, has concluded that the Transaction is fair and reasonable to the Non-Associated Shareholders. The Independent Board Sub-Committee strongly endorses the benefits of this Transaction for all Non-Associated Shareholders and the Company as a whole.

Yours faithfully

Peter Ziegler
Director, Chairman of the Independent Board Sub-Committee
Henry Morgan Limited

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Henry Morgan Limited ACN 602 041 770 (the **Company** or **HML**) will be held at the Queensland Club, 19 George Street, Brisbane QLD 4000, on Wednesday, 12 September 2018 at 10:00am (Brisbane time).

Terms used in this Notice of Meeting are defined in section 5 of the accompanying Explanatory Memorandum.

The Explanatory Memorandum, the Proxy Form and the Independent Expert's Report accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.

A copy of this Notice of Meeting, and the Explanatory Memorandum and Independent Expert's Report which accompany this Notice, has been lodged with ASIC in accordance with section 218 of the Corporations Act.

Agenda

Ordinary business

1. Resolution 1 – Approval of Transaction

To consider, and if thought fit, to pass the following resolution, as an Ordinary Resolution of the Company, with or without amendment:

"That for the purposes of ASX Listing Rules 10.1 and 10.5 and Chapter 2E of the Corporations Act 2001 (Cth), and for all other purposes, Shareholders approve the Transaction, and in particular the entry into, and consummation, by the Company of an Implementation and Put Option Agreement governing:

*(a) a put option over all of the fully paid ordinary shares held by the Company in the capital of JB Financial Group Pty Ltd (**JBFG**) (**JBFG Shares**) and all of the fully paid ordinary shares held in the capital of Bartholomew Roberts Pty Ltd (**BRL**) (**BRL Shares**), granted to the Company by JBFG (**Put Option**) and the potential exercise of that Put Option;*

*(b) the payment of $1.00 to JBFG as consideration for the Put Option (**Put Option Fee**);*

(c) the entry into the Specific Security Deed, and the potential acquisition of a substantial asset from JBFG in the event that the Specific Security is exercised;

*(d) the entry into the Convertible Note Deed, and the acquisition of a substantial asset from JB Trading House Pty Ltd (**JBTH**) (a wholly owned subsidiary of JBFG), in the form of the Notes;*

(e) the entry into the Exclusive Trading Deed under which the Company will exclusively trade all derivatives, forward contracts, contracts for difference and other financial products through the JBTH Parties;

(f) the entry into the General Security Deed, and the potential acquisition of a substantial asset from JBTH in the event that the General Security is exercised;

(g) the potential acquisition by the Company of JBFG Shares from BRL in the event of the BRL Distribution;

(h) the disposal of a substantial asset to JBFG, being the JBFG Shares and the BRL Shares, in the event that the Put Option is exercised by the Company; and

(i) *any indirect disposal, financial benefit or advantage arising, or potentially arising, from the Transaction given to:*

a. *BRL;*

b. *Mr Stuart McAuliffe;*

c. *Mr Ross Patane;*

d. *Mr John McAuliffe; and*

e. *the Relevant Entities*

*(**Interested Parties**),*

as a result of the Interested Parties' direct and/or indirect shareholding in JBFG,

*on the terms and conditions as summarised in the Explanatory Memorandum accompanying this Notice of Meeting (**Transaction**)."*

Notes

For the purposes of ASX Listing Rule 10.10.2, an Independent Expert's Report prepared by Leadenhall Corporate Advisory Pty Ltd is **enclosed** with this Notice of Meeting in Annexure A.

The Independent Expert has concluded that the Transaction is fair and reasonable to the Non-Associated Shareholders.

Further details regarding the Transaction are set out in the accompanying Explanatory Memorandum and Independent Expert's Report which the Directors recommend Shareholders read in full before making any decision in relation to this Resolution.

A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the ASIC in accordance with section 218 of the Corporations Act.

Voting Exclusion Statement – ASX Listing Rules 10.1, 10.5, and 14.11

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

(a) a party to the Transaction; or

(b) an Associate of a party to the Transaction.

However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement – section 224 of the Corporations Act

For the purposes of section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of:

(a) a Related Party of the public company to whom the resolution would permit a financial benefit to be given; or

(b) an Associate of such a Related Party.

However, this does not prevent the casting of a vote on this Resolution if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of a Related Party or Associate of a kind referred to in sub-paragraphs (a) or (b) directly above.

Recommendation

The Non-Interested Directors (Mr Peter Ziegler, Dr George Earl and Ms Vanessa Gunner) unanimously recommend that Shareholders vote in favour of the Resolution.

Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane are directors of the Company and are also directors of JBL and BRL. Mr Stuart McAuliffe is also a director of HPH Holdings, and was formerly a director of JBFG, JB Markets and JB Alpha, having resigned from each in February 2018.

In addition, each of Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane and the Relevant Entities (being entities associated with each of Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane) may receive an indirect financial benefit from the Transaction by virtue of their direct and indirect shareholdings in JBFG.

In these circumstances, Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane have determined not to give a recommendation to Shareholders in relation to the Resolution.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert for the purposes of the Shareholder approval sought under this Resolution (refer to Annexure A). The Independent Expert's Report has concluded that the Transaction is fair and reasonable to Non-Associated Shareholders of the Company.

Voting Statement

The Chairman of the Extraordinary General Meeting intends to vote undirected proxies held by him in favour of the Resolution. Please refer to the proxy form accompanying this Notice of Meeting for more information.

Voting and Eligibility

In accordance with the *Corporations Regulations 2001* (Cth), the Non-Interested Directors have determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 7:00pm (Sydney time) on 10 September 2018.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board,

K. Mischewski

Kevin Mischewski
Company Secretary - Henry Morgan Limited
6 August 2018

Explanatory Memorandum

1. Introduction

Important Notice

This Explanatory Memorandum is provided to shareholders of Henry Morgan Limited ACN 602 041 770 (**Company**) in connection with the business to be considered at the Extraordinary General Meeting (**Meeting**) to be held at the Queensland Club, 19 George Street, Brisbane QLD 4000 on Wednesday, 12 September 2018 commencing at 10:00am (Brisbane time).

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolution to be put to Shareholders contained in the Notice of Meeting.

The Directors recommend the Shareholders read the accompanying Notice of Meeting, this Explanatory Memorandum and the Independent Expert's Report in full before making any decision in relation to the Resolution, and if necessary, obtain independent advice.

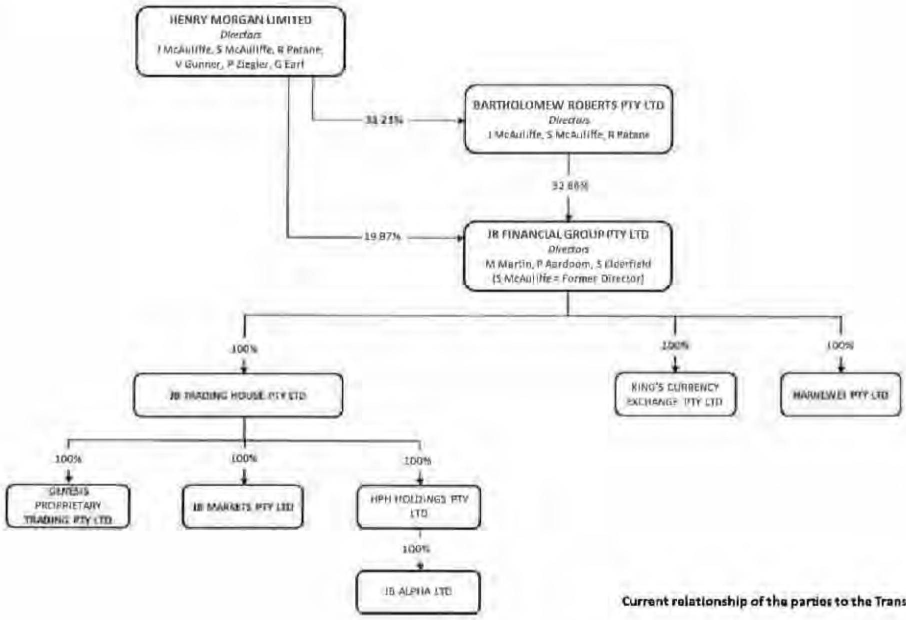
Unless otherwise defined, terms used in this Explanatory Memorandum are defined in Section 5.

2. Background and summary of the Transaction

2.1 Current relationship of parties to the Transaction

Figure 1 below sets out the current relationship between the relevant parties to the Transaction:

Figure 1.



Current relationship of the parties to the Transaction

2.2 Position if the Transaction proceeds

If the Transaction is approved and assuming all other Conditions Precedent are satisfied or waived (as applicable), it will result in:

(a) the Company paying the Put Option Fee of $1.00 to JBFG;

(b) JBFG granting the Company the Put Option over the JBFG Shares and the BRL Shares. Upon the exercise of the Put Option the Company may, subject to the Further Conditions, sell the JBFG Shares and BRL Shares, either in whole or in tranches, to JBFG or a nominee who is required to accept such a sale, pursuant to the Implementation and Put Option Agreement;

(c) JBFG granting the Company specific security pursuant to a security deed (**Specific Security Deed**, the key terms of which are summarised below and in Annexure D) in respect of the all shares in Kings and Harnewei held by JBFG to secure the obligations of JBFG under the Agreement (**Specific Security**). JBFG holds 100% of the shares in Kings (the entity that operates the network of retail foreign currency exchange shops known as King's Currency Exchange and Crown Currency Exchange) and Harnewei (the lease-holding entity for the King's Currency Exchange and Crown Currency Exchange businesses);

(d) the Company engaging the JBTH Parties on an exclusive basis for a period of 5 years, pursuant to which the Company will execute all of its trades involving derivatives, forward contracts, contracts for difference and any other financial products through the JBTH Parties, pursuant to an exclusive trading deed (**Exclusive Trading Deed**, the key terms of which are summarised below and in Annexure B);

(e) JBTH issuing the Company 12,000 secured redeemable convertible notes (**Notes**) pursuant to a secured redeemable convertible note subscription deed (**Convertible Note Deed** - the key terms of which are summarised below and in Annexure C);

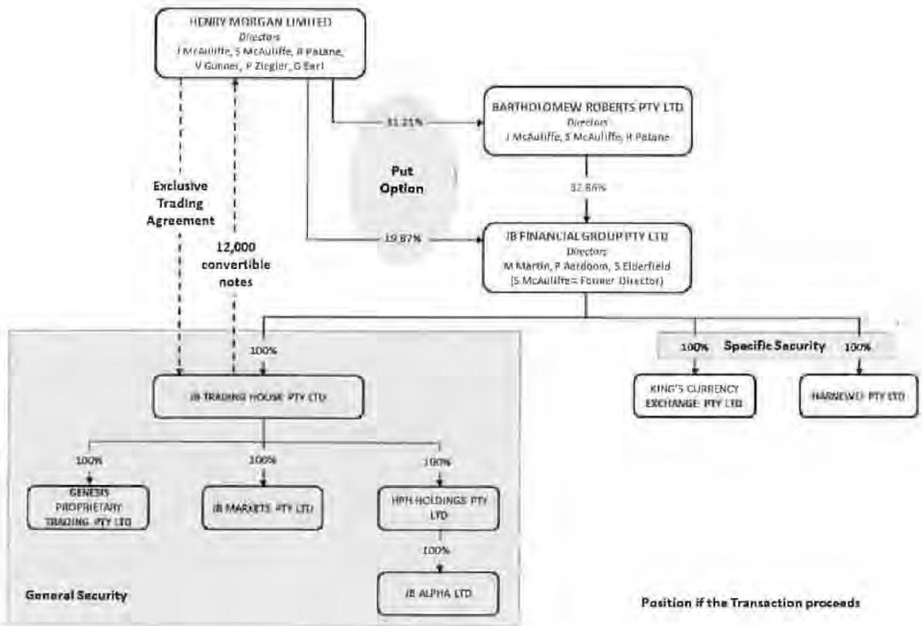
(f) JBTH granting the Company general security over all of JBTH's present and after acquired personal property, all of JBTH's present and future rights in relation to personal property, including any 'Proceeds' (as defined under the PPSA), and all of JBTH's present and after acquired rights and interests in land and any other property which is not personal property (**General Security**) pursuant to a security deed (**General Security Deed** - the key terms of which are summarised below and in Annexure D); and

(g) the Company and BHD entering into a deed pursuant to which their respective rights in relation to securities granted to each of them by JBTH (in the case of the Company, this is the General Security Deed) will be regulated (**Pari Passu Deed** - the key terms of which are summarised below and in Annexure D).

Figure 2 below sets out the relationship between the relevant parties assuming the Transaction proceeds:

Notice of Extraordinary General Meeting and Explanatory Memorandum

Figure 2.



2.3 **Position if the Company exercises the Put Option and BRL controls JBFG**

The Put Option may be exercised by the Company during the 'Put Option Exercise Period', being a period which:

(a) commences on the earlier of:

(1) a JBFG Liquidity Event (being an event (including without limitation, a capital or debt raising by any means whatsoever) which results in JBFG receiving cash equal to or in excess of $67,160,000); or

(2) the date that is 24 months after the Put Option Grant Date; and

(b) expires on the date that is 5 years after the Put Option Grant Date.

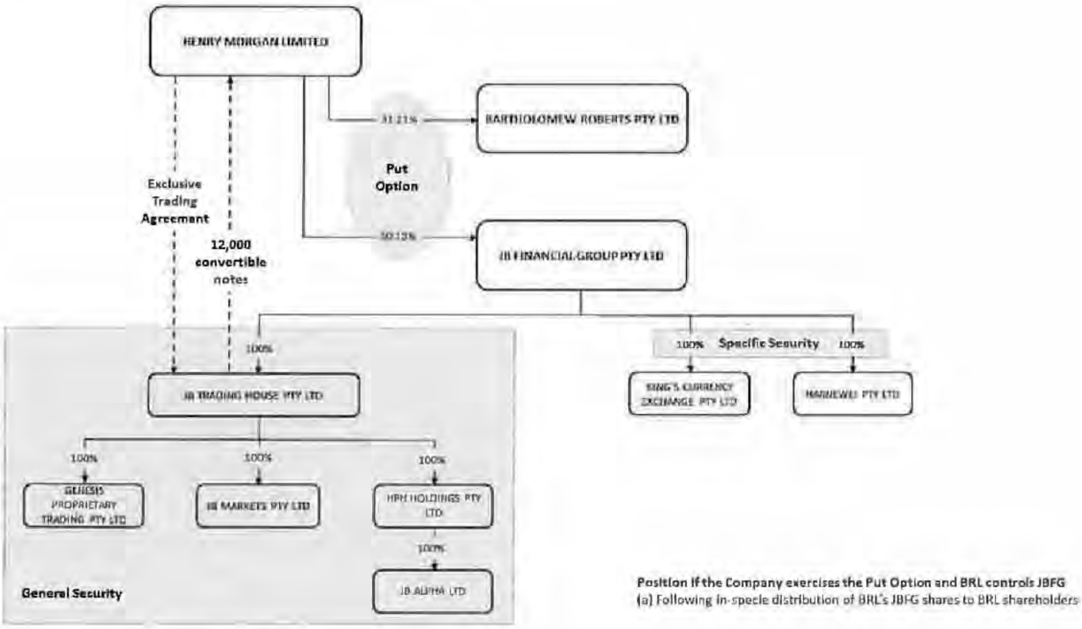
At the point of exercise of the Put Option, the Company will determine whether or not BRL controls JBFG for the purposes of section 259E of the Corporations Act. If the Company considers that BRL does control JBFG, then the transfer to JBFG of the Company's BRL Shares would be void. Accordingly, absent any other arrangement, one of the Further Conditions must be satisfied at this point in time, namely that BRL must:

- seek shareholder approval to undertake an equal reduction in BRL's share capital by way of a pro rata in-specie distribution of BRL's shareholding in JBFG to BRL's shareholders (**BRL Distribution**);
- do all things necessary or desirable in order to facilitate the BRL Distribution; and
- subject to receipt of shareholder approval and compliance with Chapter 2J of the Corporations Act, undertake the BRL Distribution.

The BRL Distribution will result in BRL no longer holding JBFG Shares, and each other BRL Shareholder increasing their ownership in (or acquiring ownership in) JBFG per Figure 3 below:

Notice of Extraordinary General Meeting and Explanatory Memorandum

Figure 3.



Assuming that JBFG satisfies the JBFG Further Condition (being compliance with Chapter 2J of the Corporations Act - Transactions Affecting Share Capital):

(c) JBFG acquires by way of a selective share buy-back or selective capital reduction all of the JBFG Shares that the Company holds (this will have the effect of increasing the JBFG Shareholding of every other JBFG Shareholder as the Company's JBFG Shares will be cancelled by JBFG and result in there being less JBFG shares on issue);

(d) JBFG paying the aggregate consideration of $79,160,000 (**Aggregate Consideration**) to the Company, although provided that JBFG and JBTH are in compliance with their obligations in respect of the Notes pursuant to the Convertible Note Deed, JBFG may in lieu of paying the Company the Aggregate Consideration:

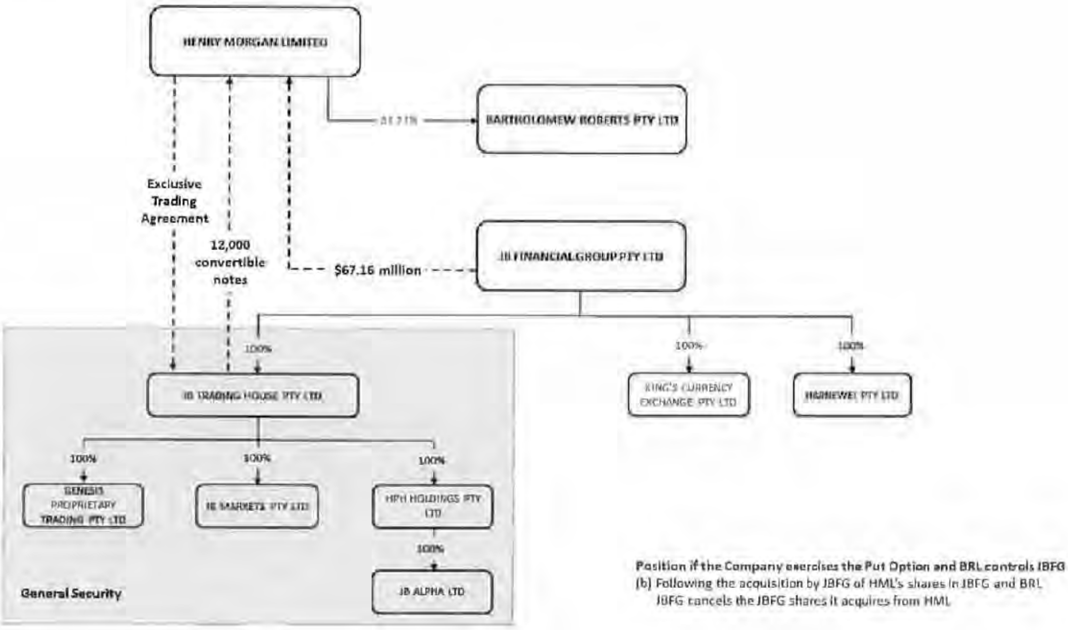
    (1) pay the Company cash equal to the Cash Threshold of $67,160,000; and

    (2) set-off the aggregate Face Value of the Notes of $12,000,000 against the balance of the Aggregate Consideration.

Provided that JBFG has complied with all of its obligations under the Agreement, the Company will release the Specific Security pursuant to the Specific Security Deed at this point in time.

The structure of the relationship between the parties following the above will be as follows:

Figure 4.



2.4 Position if the Company exercises the Put Option and BRL does not control JBFG

The Put Option may be exercised by the Company during the Put Option Exercise Period, which:

(a) commences on the earlier of:

(1) a JBFG Liquidity Event; or

(2) the date that is 24 months after the Put Option Grant Date; and

(b) expires on the date that is 5 years after the Put Option Grant Date.

At the point of exercise of the Put Option, the Company will determine whether or not BRL controls JBFG for the purposes of section 259E of the Corporations Act. If the Company considers that BRL does not control JBFG, then provided the Further Conditions are satisfied (including, the JBFG Further Condition (being compliance with Chapter 2J of the Corporations Act - Transactions Affecting Share Capital)):

(a) JBFG acquires all of the JBFG Shares that the Company holds (this will have the effect of increasing the JBFG Shareholding of every other JBFG Shareholder as the Company's JBFG Shares will be cancelled by JBFG and result in there being less JBFG shares on issue);

(b) JBFG acquires all of the BRL Shares that the Company holds;

(c) JBFG paying the Aggregate Consideration of $79,160,000 to the Company, although provided that JBFG and JBTH are in compliance with their Obligations in respect of the Notes pursuant to the Convertible Note Deed, JBFG may in lieu of paying the Company the Aggregate Consideration:

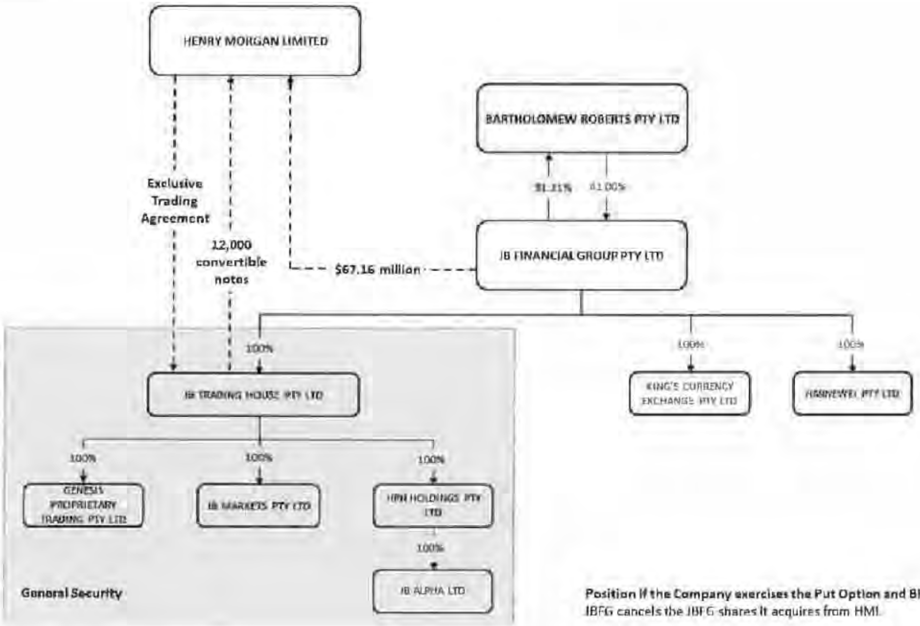
(1) pay the Company cash equal to the Cash Threshold of $67,160,000; and

(2) set-off the aggregate Face Value of the Notes of $12,000,000 against the balance of the Aggregate Consideration.

Provided that JBFG has complied with all of its obligations under the Agreement, the Company will release the Specific Security pursuant to the Specific Security Deed at this point in time.

The structure of the relationship between the parties following the above will be as follows:

Figure 5.



Position if the Company exercises the Put Option and BRL does not control JBFG
JBFG cancels the JBFG shares it acquires from HML

2.5 Conversion of Notes

The Notes may be converted by the Company during the period commencing on the Put Option Grant Date and ending at 5:00pm on the date that is 10 business days prior to the date that is four years after that date.

Assuming that the Notes are converted after the exercise of the Put Option:

(a) JBTH will issue the Company:

(1) a minimum of 16.856% of the total JBTH shares on issue (calculated on a fully diluted basis);

(2) where JBTH is not a regulated entity subject to the takeover provisions of Chapter 6 of the Corporations Act, such number of shares in JBTH as is calculated by reference to a 'conversion price' (explained in greater detail in Annexure C), which, for the avoidance of any doubt will equal at least a minimum of 16.856% of the JBTH shares on issue (calculated on a fully diluted basis);

(3) where JBTH is a regulated entity subject to the takeover provisions of Chapter 6 of the Corporations Act and:

JBTH Shareholder approval for the purposes of section 611 item 7 has not been obtained, no more than 19.99% of the JBTH Shares on issue; or

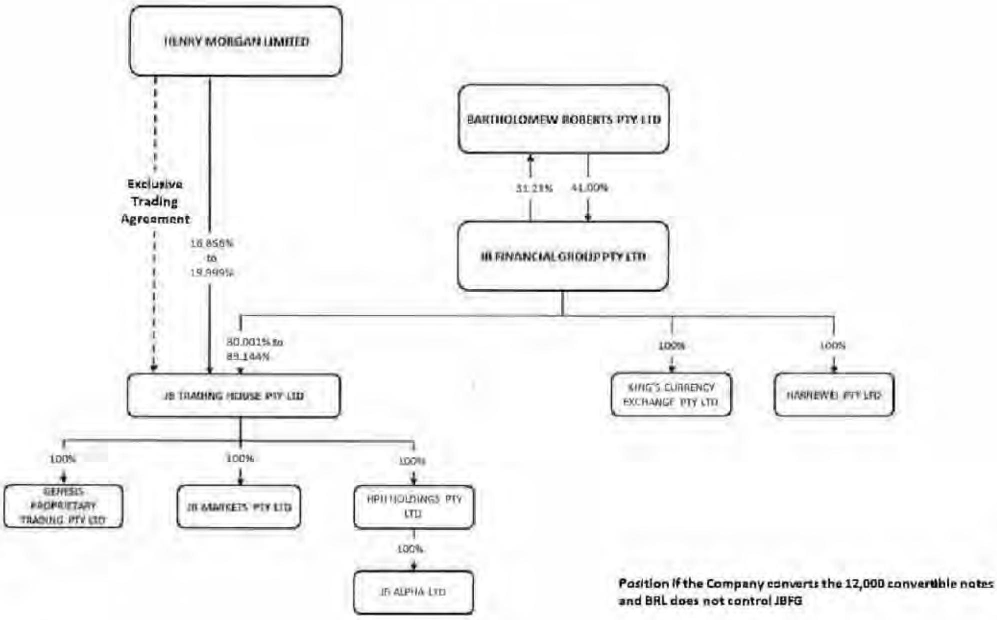
JBTH Shareholder approval for the purposes of section 611 item 7 has been obtained, such number of shares in JBTH in excess of 19.99% of the JBTH Shares on issue as provided for in that approval;

(b) JBTH will pay any accrued but unpaid interest;

(c) the Company will release the General Security.

The structure of the relationship between the parties following the above will be as follows:

Figure 6.



Notes to Figure 6.

1 - While the Company releases JBTH in respect of the General Security, BHD would still have security over JBTH in this scenario.

2 - The exclusive trading arrangements will continue for the remainder of the 5 year term.

2.6 Redemption of Notes

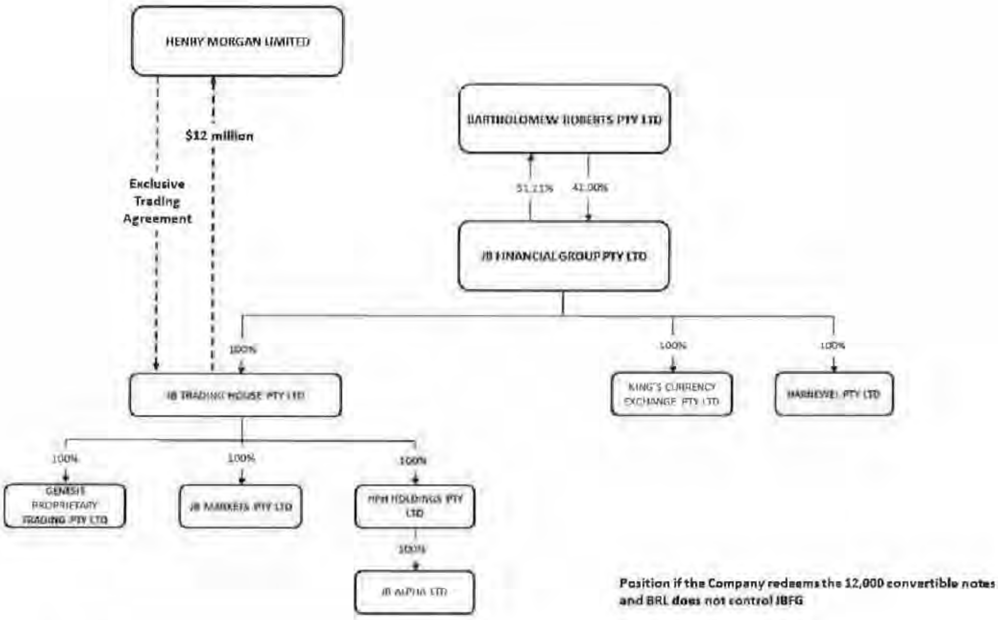
Unless earlier converted, the Notes will be redeemed on the date that is four years after the Put Option Grant Date.

Assuming that the Notes are redeemed after the exercise of the Put Option:

(a) JBTH will pay the Company the Face Value of all of the outstanding Notes and any accrued but unpaid interest; and

(b) the Company will release the General Security.

Figure 7.



Ordinary Business

3. Resolution 1 - Approval of Transaction

3.1 Introduction and index to Explanatory Memorandum

The Meeting is being convened for the purposes of seeking Shareholder approval in respect of the Transaction pursuant to ASX Listing Rules 10.1 and 10.5 and Chapter 2E of the Corporations Act.

The Transaction, if approved and ultimately completed, will at a high level result in the Company disposing of assets to, potentially acquiring assets from, and giving a financial benefit/conferring a financial advantage on, JBFG and JBTH. These assets include the JBFG Shares and BRL Shares, which will be the subject of the Put Option.

The Transaction has been summarised above in section 2 of this Explanatory Memorandum, and additional details are set out below in section 3.7 and Shareholders should refer to each of the following sections in the below index:

- Section 3.2: JBFG Background Information;
- Section 3.3: The Company's investment in JBFG;
- Section 3.4: BRL Background Information;
- Section 3.5: The Company's investment in BRL
- Section 3.6: Background to the Transaction;
- Section 3.7: Terms of the Transaction;
- Section 3.8: Other key terms of the Agreement

- Section 3.9: Rationale for the Transaction;
- Section 3.10: Capital Structure;
- Section 3.11: ASX Listing Rule 10.1;
- Section 3.12: ASX Listing Rule 10.5;
- Section 3.13: Chapter 2E of the Corporations Act;
- Section 3.14: Information for Shareholders - Chapter 2E of the Corporations Act;
- Section 3.15: Impact of the Transaction;
- Section 3.16: Directors' recommendations and interests in the outcome.
- Annexure A: Independent Expert's Report
- Annexure B: Summary of terms of Exclusive Trading Deed
- Annexure C: Summary of terms of Convertible Note Subscription Deed
- Annexure D: Summary of terms of Specific Security Deed, General Security Deed and Pari Passu Deed

The Non-Interested Directors appointed Leadenhall as the Independent Expert to prepare the Independent Expert's Report on the Transaction as required by the ASX Listing Rules and in order to assist Shareholders to decide whether or not to vote in favour of the Resolution.

The Independent Expert's Report is set out in Annexure A.

3.2 JBFG Background Information

JB Financial Group Pty Ltd (**JBFG**) is an Australian proprietary limited company in the financial services industry with established broking, foreign exchange, mercantile agency and credit arms, and an expanding 'FinTech Services' division.[1]

More specifically, JBFG conducts the following businesses:

(a) retail foreign exchange and wholesale foreign exchange:

(1) JBFG holds 100% of the entities (Kings and Harnewei[2]) which operate King's Currency Exchange (**Kings Exchange**) and Crown Currency Exchange (**Crown Exchange**). Kings Exchange and Crown Exchange operate a network of retail foreign currency exchange shops;

(2) JBFG holds a number of the assets (including a bank vault and wholesale online platform) previously held by American Express Wholesale Currency Services Pty Ltd. It uses these assets to operate a wholesale foreign currency exchange business through a wholly owned subsidiary, JBFX Wholesale Pty Ltd;

(b) Trading and broking (derivatives / futures broking) by way of JBTH and its subsidiaries as follows:

[1] JBFG is an Australian unlisted proprietary limited company with less than 50 members, and accordingly to the extent that the Transaction involves a change of holding in JBFG such change is not a regulated transaction under Chapter 6 of the Corporations Act.

[2] Harnewei is the lease holding entity for the currency exchange businesses.

(1) JB Markets Pty Ltd (**JB Markets**) is a specialist derivatives broking firm. JB Markets holds an AFSL and operates securities and derivatives broking along with fund management for wholesale and retail clients;

(2) JB Alpha Ltd (**JB Alpha**) is an AFSL holder and offers a full suite of products, including equities, options, futures, contracts for difference, margin foreign exchange, exchange traded funds and physical bullion, to retail and institutional clients. JB Alpha is wholly owned by HPH Holdings Pty Ltd (**HPH Holdings**), which is in turn wholly owned by JBFG; and

(3) proprietary trading by way of Genesis Proprietary Trading Pty Ltd (**Genesis**). As a proprietary trading company, Genesis provides capital to futures market professionals and takes a profit share on the result of their trades. Genesis employs a relative value trading philosophy and the majority of their trades are in the fixed interest market.

(c) mercantile agency services through Risk & Security Management Pty Ltd (**R&S**) - R&S is one of Australia's largest providers of mercantile agency services, including trade mark protection, process serving, investigation services, physical audits, location services, and specialist debt recovery. R&S has merged together the following businesses in the Australian mercantile agency industry:

(1) IDS Group Pty Ltd (formerly known as International Detection Services), which provides specialist investigative due diligence / background screening as well as other intelligence gathering services;

(2) Advance Group Holdings Pty Ltd (**Advance**), one of Australia's leading and most respected field services and auditing firms. Advance provides repossession, process serving, auditing, field call, skip location enquiries and a variety of legal support services to corporate clients, including financial institutions, insurance companies, law firms, debt collection companies as well as to federal government agencies, state government departments, local government associations and authorities;

(3) Yates Professional Investigations, which services major finance, banking and insurance clients. By utilising a base of nationally and internationally licensed and insured agents, modern technology and a professional team, Yates offers asset location, debtor location, field calls, process serving, repossession and property securing services;

(4) Trademark Investigation Services in Australia (**TMIS**) and New Zealand (**TMISNZ**), which provides specialist investigative services for trade mark professionals and protection for luxury brand owners in respect of counterfeiting and intellectual property infringement;

(5) Australian Legal Support Group Pty Ltd (trading as Express Mercantile), specialising in debt recovery; and

(6) Ashdale Integrity Solutions Pty Ltd, which provides workplace investigations services, conflict resolution, training and intelligence analysis and surveillance services, assisting clients to effectively respond to workplace conflict or serious complaints of bullying, harassment, misconduct and other negative workplace behaviours;

(d) Capital Credit Pty Ltd – holds an Australian Credit Licence and undertakes debt financing advisory and debt collection; and

(e) Growth Point Capital Pty Ltd - consumer credit and mortgage broking business specialising in loan and refinancing services.

3.3 The Company's investment in JBFG

As at the date of the Notice of Meeting, the Company holds 5,350,000 fully paid ordinary shares in the capital of JBFG, representing an approximate 19.87% interest in JBFG.[3]

The cost base for the Company's investment in JBFG is approximately $6,300,000. The Company acquired its investment in JBFG through two tranches.

The Company acquired its initial stake in JBFG on or about 8 August 2016, acquiring 300 shares (prior to JBFG undertaking a share split) by way of transfer from Bartholomew Roberts Pty Ltd (**BRL**) for an aggregate cost of approximately $50,000. The Company then acquired a further 235 shares (again, prior to JBFG undertaking a share split) by way of an issue in JBFG on or about 9 December 2016 for an aggregate cost of approximately $6,250,000. These 535 shares were then split on a 1 for 10,000 basis in March 2017 resulting in the Company's current holding of 5,350,000 shares in JBFG.

In addition, the Company has an additional economic exposure equivalent to 10.25% of JBFG through its indirect interest arising from its 31.21% interest in BRL (which holds 8,845,081 JBFG shares or 32.86% of JBFG).

3.4 BRL Background Information

Bartholomew Roberts Pty Ltd (**BRL**) is an Australian proprietary limited company and is a venture capital and private equity firm.[4] BRL is an investment company investing in unlisted securities, and BRL's assets mainly consist of shares in JBFG.

BRL also holds 100% of the shares in:

- Birdzz Pty Ltd, the master franchisee of the Wingstop brand in Australia and New Zealand; and
- JR Restaurants Australia Pty Ltd, the master franchisee of the Johnny Rockets brand in Australia and New Zealand.

3.5 The Company's investment in BRL

As at the date of the Notice of Meeting, the Company holds 1,497,616 fully paid ordinary shares in the capital of BRL, representing an approximate 31.21% interest in BRL.[5]

The cost base for the Company's investment in BRL is approximately $4,300,000. The Company acquired its investment in BRL in four tranches.

The Company acquired its initial stake in BRL on or about 13 October 2016, acquiring 1,200,000 shares. The Company then acquired a further:

- 55,556 shares by way of an issue in BRL on or about 19 December 2016;
- 40,040 shares by way of an issue in BRL on or about 17 May 2017; and
- 202,020 shares by way of an issue in BRL on or about 25 May 2017,

for an aggregate cost of approximately $4,300,000.

[3] Based on the Company holding 5,350,000 JBFG shares out of a total 26,920,863 JBFG shares.
[4] BRL is an Australian unlisted proprietary limited company with less than 50 members, and accordingly to the extent that the Transaction involves a change in holding of BRL such change is not a regulated transaction under Chapter 6 of the Corporations Act.
[5] Based on the Company holding 1,497,616 BRL shares out of a total 4,798,443 BRL shares.

3.6 Background to the Transaction

The Company acquired its shares in JBFG and BRL as set out in sections 3.3 and section 3.5 above.

Following consideration of other alternative transactions, the Company and JBFG have agreed to the terms of the current Transaction. The Transaction requires JBFG to grant the Company the Put Option to provide for JBFG to buy-back and to cancel the JBFG Shares, as well as acquiring the BRL Shares, via the Agreement, together with JBTH issuing the Company the Notes and the Company entering into an exclusive trading arrangement through the JBTH Parties. Note that the BRL Shares will only be transferred to JBFG where it is determined that BRL does not control JBFG. If it is determined that BRL controls JBFG, BRL shall divest its holding in JBFG by distributing these Shares to its shareholders via an in specie distribution (described in greater detail below) with any JBFG shares acquired in this way by the Company being included in the JBFG Shares able to be sold to JBFG under the Put Option.

As announced by the Company on 20 June 2018 the Agreement has been signed. The key terms of the Agreement are summarised in section 3.7 below.

3.7 Terms of the Transaction

As announced by the Company on 20 June 2018, the Agreement (between the Company, JBFG, BRL and JBTH) has been signed. The process for the Transaction as set out in the Agreement is summarised in this section 3.7.

Additional arrangements

Under the Agreement further agreements have been entered by the Company, including:

(a) the Exclusive Trading Deed - summarised in Appendix B;

(b) the Convertible Note Subscription Deed - summarised in Appendix C

(c) the Specific Security Deed - summarised in Appendix D;

(d) the General Security Deed - summarised in Appendix D; and

(e) the Pari Passu Deed - summarised in Appendix D.

The majority of obligations under each of the above agreements are conditional upon the Put Option being granted.

Conditions Precedent

The granting of the Put Option under the Agreement is subject to the following conditions precedent, which must be satisfied or waived by no later than 30 September 2018 (unless as noted otherwise below):

(1) the Company obtaining an independent expert's report on whether the transactions contemplated by the Agreement are fair and reasonable, for the purposes of ASX Listing Rule 10.1, Chapter 2E of the Corporations Act and for all other purposes, the terms of which are satisfactory to the directors of the Company acting reasonably (**Company's Independent Expert's Report**);

(2) the Independent Expert opining in the Company's Independent Expert's Report that the Transaction is at least not fair but reasonable to Non-Associated Shareholders, and not withdrawing that opinion;

(3) the Independent Expert not changing its opinion or withdrawing the Company's Independent Expert's Report;

(4) the Company obtaining and being satisfied (in its sole discretion) with any necessary determination, waiver or in-principle advice of ASX and/or ASIC (as the case may be) in respect of the Transaction, and such consents, determinations, waivers or in principle advice not being withdrawn;

(5) the Company obtaining all shareholder approvals including, for the purposes of and in accordance with Listing Rule 10.1, Listing Rule 11.1 (as required by the ASX) and Chapter 2E of the Corporations Act and for all other purposes;

(6) all other JBFG and BRL shareholders waiving their rights of pre-emption and right of first refusal conferred by the JBFG and BRL constitutions;

(7) JBFG, BRL and JBTH obtaining all necessary shareholder approvals; and

(8) the Convertible Note Deed and the Exclusive Trading Deed being executed and becoming unconditional (other than conditions that require the grant of the Put Option).

(together, the **Conditions Precedent**)

All conditions precedent contained in the Agreement have been satisfied as at the date of this Meeting, other than the approval of the Company's shareholders.

Process following satisfaction of the Conditions Precedent

On the satisfaction or waiver of the Conditions Precedent, the process as set out in section 2.2 above will occur.

The Put Option

(a) The Put Option will enable the Company to sell to JBFG (or JBFG's nominee) the JBFG Shares and (potentially) the BRL Shares, free from encumbrances but subject to the Further Conditions on exercise of the Put Option.

(b) In the event that the Put Option is exercised, and provided that such exercise relates at least in part to the BRL Shares, BRL must provide to the Company all information reasonably requested in order for the Company to determine if BRL 'controls' JBFG for the purposes of the Corporations Act.

(c) The Put Option can be exercised at any time between:

(1) the earlier of:

(A) 2 years after it is granted; and

(B) a JBFG Liquidity Event (an event occurring which results in JBFG receiving capital equal to or greater than $67,160,000), and

(2) 5 years after it is granted,

subject to the following conditions being met;

(1) if the Company does determine that BRL controls JBFG, then unless the BRL Shares are distributed to a nominee of JBFG or JBFG proposes some alternative solution acceptable to the Company, BRL must undertake an equitable reduction in BRL's capital by way of a pro-rata in specie distribution of BRL's shareholding in JBFG to BRL's shareholders. The Transaction will then be altered such that the Put Option:

(A) will include any new shares in JBFG that the Company receives from the in specie distribution by BRL; and

(B) will not cover any remaining BRL Shares,

in order to ensure that shares in BRL will not be distributed to an entity that BRL controls, as such a distribution would be void under section 259C of the Corporations Act (**BRL Further Condition**).

(2) unless JBFG directs a nominee to acquire the JBFG Shares, JBFG must obtain all necessary shareholder approvals needed for the distribution of the JBFG Shares, and comply with the provisions of Chapter 2J of the Corporations Act in that regard (which deals with transmissions of share capital) (**JBFG Further Condition**); and

(3) the Company and JBFG must obtain any other approvals, consents, determinations, waivers etc. required in order for the Company to dispose of, and JBFG to acquire, the JBFG Shares and the BRL Shares (**HML Further Condition**)

(**Further Conditions**),

and in the event that these Further Conditions are not met the exercise of the Put Option will be of no effect (but may be subsequently exercised, providing such exercise is at least 3 months after the previous exercise). However, in the event that only one of the BRL Further Condition or JBFG Further Condition was met, the Company may elect to proceed to dispose of the relevant shares that relate to the satisfied Further Condition.

(b) JBFG may direct that the JBFG Shares and BRL Shares the subject of an exercise be issued to a nominee.

(c) The Company may exercise the Put Option in respect of the entirety of the JBFG Shares and the BRL Shares, the JBFG Shares, the BRL Shares or any part or combination thereof, and may exercise the Put Option in tranches until all of the JBFG Shares and the BRL Shares have been disposed of.

(d) An exercise of the Put Option for a tranche must not be made less than 3 months after the date of the last exercise or attempted exercise of the Put Option.

(e) In the event that the Put Option is exercised:

(1) in respect of all of the JBFG Shares and the BRL Shares, the consideration to be paid by JBFG will be the Aggregate Consideration (subject to paragraph (f) below);

(2) in respect of some of the JBFG Shares and BRL Shares JBFG must pay to the Company the 'JBFG Cash Consideration' being $9.7601 per JBFG Share and the 'BRL Cash Consideration' being $17.9910 per BRL Share, unless adjusted to account for a reorganisation of the share capital of JBFG and/or BRL (subject to paragraph (f) below).

(f) Where the Company has already received at least $67,160,000 (subject to any amendment required to changes in the JBFG Cash Consideration or the BRL Cash Consideration) and JBFG and JBTH are in compliance with their obligations under the Agreement, JBFG may in lieu of paying further JBFG Cash Consideration and/or BRL Cash Consideration set off the aggregate Face Value of the Notes against such a payment, such that the total value of:

(1) the Cash Threshold; and

(2) the Face Value of the Notes,

is equal to the Aggregate Consideration.

(g) Once the Company has disposed of all of the JBFG Shares and the BRL Shares, the Company must release the Specific Security Deed.

(h) During the term of the Put Option, the Company may continue to seek other potential purchasers of the JBFG Shares and BRL Shares, and must promptly notify JBFG of any approach by a potential purchaser, along with the material terms of the approach. In the event that the Company and a third party complete a transaction for the JBFG Shares and the BRL Shares, the Company will release JBFG from its obligations under the Agreement and will release the Specific Security.

Convertible Notes

The Notes will consist of 12,000 secured redeemable convertible notes with a Face Value of $1,000 each for a total aggregate Face Value of $12,000,000. This $12,000,000 can be set off against the Aggregate Consideration as described above. Under the terms of the Notes the Company may elect to either:

(a) after four years from the date of issue of the Note, be paid $12,000,000 in either a lump sum or in 12 equal monthly instalments from that date at the Company's election; or

(b) at any time before the date that is 10 business days prior to the date that is four years after issue of the Notes, convert all or part of $12,000,000 into stock in JBTH at a price which represents a 40% discount to the pre-money valuation of JBTH (to be established either by IPO pricing, trade sale price, other liquidity event or independent valuation if such valuation cannot be agreed) or a 40% discount to an expert's valuation of JBFG, depending on whether an event allowing for a pre-money valuation of JBFG (such as an IPO) has occurred. An election to convert in full into stock pursuant to this paragraph is to result in a minimum 16.856% stake in JBTH for the Company (and in certain circumstances where required by law, may result in a maximum 19.99% stake in JBTH), with a pro rata result in the event of a partial election to convert. The conversion mechanism is further described in Annexure C.

The Company will subscribe for the Notes via the Convertible Note Deed, the key terms of which are summarised further in Annexure C.

The Notes will be secured by the granting to the Company of the General Security, being a security interest over all of the assets of JB Trading House, pursuant to the General Security Deed.

At or around the same time as the Notes are issued to the Company, JBTH will also issue 13,500 equal ranking convertible notes to BHD on substantially similar terms as the Notes and will grant to BHD a similar security over all of JBTH's assets (**BHD Security**). The General Security and the BHD Security will rank equally in priority,[6] and Company and BHD will enter into the Pari Passu Deed to govern this equal priority, the terms of which are summarised in Annexure D.

Exclusive trading

[6] Any encumbrance arising under the Specific Security Deed dated 11 September 2017 between BHD and JBFG (which is in respect of all of the shares in Genesis) is expressly excluded from the operation of the Pari Passu Deed. The effect of this is that to the extent that BHD has an enforceable security under the Specific Security Deed dated 11 September 2017, then BHD would be solely entitled to the proceeds of any enforcement of that security over the Genesis shares (instead of those proceeds being distributed rateably). The Company still has security over the Genesis shares under its Security, but such security ranks subordinate to BHD's security pursuant to the Specific Security Deed dated 11 September 2017 while that document remains in place.

Subject to the grant of the Put Option, the Company will enter into a 5-year exclusive commitment to trade through JBTH for all trades involving derivatives, forward contracts, contracts for difference and all other financial products governed by an exclusive trading deed (**Exclusive Trading Deed**). There will be no minimum or maximum trading requirements under the Exclusive Trading Deed, however the Company will be charged fees which are to be equal to or more competitive than market rates. The key terms of the Exclusive Trading Deed are summaries in Annexure B.

3.8 Other key terms of the Agreement

In addition to setting out and governing the Transaction as described above in sections 2 and 3.7, the Agreement contains the following key terms.

The Company, JBFG, BRL and JBTH are the parties to the Agreement.

If JBFG fails to comply with any of the provisions of the Agreement, the Company may do any or all of the following:

(a) terminate the Agreement and exercise all rights as the holder of the JBFH Shares and BRL Shares that it holds;

(b) sue JBFG for breach of contract; and

(c) resell any JBFG Shares and BRL Shares that it still holds, in any manner and at any deficiency in price, and recover as liquidated damages from JBFG any deficiency in price compared to what would have been received under the Agreement.

JBFG must indemnify the Company, and keep the Company indemnified against any claim against the Company as a result of JBFG's default under the Agreement.

If the Company fails to comply with any of the provisions of the Agreement then JBFG may terminate the Agreement and/or sue the Company for breach of contract. The Company must indemnify JBFG, and keep JBFG indemnified against any claim against JBFG as a result of the Company's default under the Agreement.

The Agreement contains customary warranties as to corporate standing, authorisations, title, solvency and litigation/investigations and customary confidentiality provisions.

3.9 Rationale for the Transaction

The Committee's rationale for the Transaction is set out below:

The Committee considers that the Company's portfolio is too heavily weighted in illiquid unlisted shares which are not providing a regular income stream and can be difficult to accurately value. The Committee believes that by having the Put Option to enable it to exchange its unlisted JBFG shares for cash, this will free up the Company's funds to pursue other investment opportunities.

The Committee believes that in the event of the Company's exercise of the Put Option and the satisfaction of the Further Conditions, the sale of the JBFG Shares and BRL Shares that the Company holds will reduce the Company's concentrated exposure to unlisted investments leading to the ability for the Company to re-balance its investment portfolio.

3.10 Capital Structure

There will be no change to the capital structure of the Company as a direct result of the Transaction.

However, there may be a positive effect to the Company's capital structure to the extent that the Company's net tangible asset backing increases as a result of the Transaction. Should this occur, and the Company's share price increase concurrently with its increase in net tangible asset backing, then the Transaction may indirectly result in existing option holders exercising such options (i.e. where the Company's share price exceeds the exercise price of such options), with a concurrent number of the Company's shares issued per option exercised.

3.11 ASX Listing Rule 10.1 – Approval required for certain acquisitions or disposals

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, the following persons, without obtaining approval from the holders of the entity's ordinary securities:

(a) a Related Party of the entity;

(b) a child entity of the entity;

(c) a substantial holder in the entity, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities in the entity;

(d) an associate of a person referred to above; or

(e) a person whose relationship to the entity or a person referred to above is such that, in ASX's opinion, the transaction should be approved by Shareholders.

The rationale for ASX Listing Rule 10.1 is to protect security holders from a value-shifting transaction with a person in a position of influence being undertaken by a listed entity without the disinterested security holders having approved that transaction with the benefit of full information.

The sale of the JBFG Shares and the BRL Shares to JBFG may constitute a disposal (both directly and indirectly) of a substantial asset to a person in a position of influence in respect of the Company. Similarly, the acquisition of the Put Option, Convertible Notes, JBFG Shares in the event of the BRL Distribution or an enforcement of the Specific Security or the General Security by the Company may constitute an acquisition of a substantial asset from a person in a position of influence in respect of the Company.

The rationale in respect of the application of Listing Rule 10.1 to the Transaction is set out in further detail below.

Acquire

Acquire has a wide definition, namely to acquire or agree to acquire directly or through another person by any means, including the following:

- granting or exercising an option;
- enforcing collateral and taking an asset;
- increasing an economic interest;
- acquiring part of an asset.

Accordingly, for the purposes of the Listing Rules, the Company may acquire the following substantial assets as a result of the Transaction:

- the Put Option from JBFG;
- the 12,000 Notes from JBTH;

- where BRL undertakes the BRL Distribution, JBFG Shares in proportion to the Company's shareholding in BRL; and
- where the Company enforces the Specific Security or the General Security, the assets the subject of the Specific Security or the General Security.

Dispose

Dispose has a wide definition, namely to dispose or agree to dispose directly or through another person by any means, including the following:

- granting or exercising an option;
- using an asset as collateral;
- decreasing an economic interest;
- disposing of part of an asset.

Accordingly, the sale of the JBFG Shares and the BRL Shares would fall within the ambit of "dispose" for the purposes of the Listing Rules.

Substantial Asset

Listing Rule 10.2 provides that an asset is deemed a "substantial asset" where the value of the asset, or the value of the consideration to be received for the asset, represents 5% or more of the equity interests of the entity, as disclosed in the most recent accounts given to ASX by the entity under the Listing Rules (**5% Threshold**).

The equity interests of the entity are the sum of its paid up capital, reserves and accumulated profits or losses from the consolidated financial statements (redeemable preference share capital and outside equity interests disregarded).

The total equity interests of the Company as disclosed in its most recent accounts given to ASX are $48,221,061 (as at 31 December 2017), of which 5% of is $2,411,053.

The Independent Expert has assessed the value of the Put Option in the Independent Expert's Report between a low value of $20,400,000 and a high value of $26,100,000. Accordingly, the Put Option is a substantial asset as it exceeds the 5% threshold of $2,411,053.

Under the agreement the value assigned to the JBFG Shares is $9.7601 per share and to the BRL Shares was $17.9910 per share, and accordingly, the indicative value for all of the JBFG Shares and BRL Shares ($79,160,000) exceeds the 5% threshold of $2,411,053.

Similarly, where the BRL Distribution occurs, based on the value assigned to the JBFG Shares of $9.7601 and the interest of the Company in BRL (31.21%), the Company may acquire an additional 2,760,549 JBFG Shares under the BRL Distribution. The indicative value for these additional JBFG Shares is approximately $26,943,242, which exceeds the 5% threshold of $2,411,053.

The Specific Security relates to all of the shares in Kings and Harnewei held by JBFG to secure the obligations of JBFG under the Agreement. These entities own the Crown Currency business. Based on the Independent Expert assessed range for the value of the Crown Currency business the value will exceed the 5% Threshold.[7] Accordingly, should the Company enforce its collateral and take the assets the subject of the Specific Security (i.e the Kings and Harnewei shares) it may acquire a substantial asset.

[7] Refer Appendix 3 JBFG SOTP Valuation Summary in the IER.

The General Security relates to all of JBTH's present and after acquired personal property, all of JBTH's present and future rights in relation to personal property, including any 'Proceeds' (as defined under the PPSA), and all of JBTH's present and after acquired rights and interests in land and any other property which is not personal property. Based on the Independent Expert assessed range for the value of the JBTH business the value will exceed the 5% Threshold.[8] Accordingly, should the Company enforce its collateral and take the assets the subject of the General Security it may acquire a substantial asset.

The Independent Expert has assessed the value of the Convertible Notes at a low value of $9,100,000 and a high of $10,000,000, which exceeds the 5% Threshold.

Related Party / Person in position of influence

The Company does not believe that JBFG is a related party of the Company. The Company notes that there are no common directors between the Company and JBFG (Mr Stuart McAuliffe is a former director of JBFG, having resigned in February 2018). The Company also only has a 19.87% shareholding in JBFG.

However, given that:

- the Company, JBL and BRL collectively control approximately 57% of JBFG;[9]
- structural links exist between the various entities; and
- the Company has determined to put the Transaction to shareholders for approval as if JBFG is a related party of the Company for the purposes of Chapter 2E of the Corporations Act,

the Company is seeking shareholder approval for the purposes of Chapter 10 of the Listing Rules for any potential acquisition or disposal from or to JBFG (or its wholly owned subsidiary, JBTH) as persons potentially in a position of influence in respect of the Company.

Similarly, the Company does not believe that BRL is a related party of the Company. Although BRL and the Company share the same three common directors, the Company only holds a 31.21% shareholding in BRL and has an additional three independent directors.

However, given that:

- the Company and JBL collectively control in excess of 84% of BRL;
- structural links exist between the various entities; and
- the Company has determined to put the Transaction to shareholders for approval as if BRL is a related party of the Company for the purposes of Chapter 2E of the Corporations Act,

the Company is seeking shareholder approval for the purposes of Chapter 10 of the Listing Rules for any potential acquisition or disposal from or to BRL (for example, pursuant to the BRL Distribution) as a person potentially in a position of influence in respect of the Company.

Voting Exclusion Statement

Listing Rule 10.10.1 requires that the notice of meeting for the purposes of Listing Rule 10.1 include a voting exclusion statement. A voting exclusion statement is set out above in the Notice of Meeting.

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[8] Refer Appendix 3 JBFG SOTP Valuation Summary in the IER.

[9] As announced to the NSX, most recently on 10 July 2018, JBL proposes to acquire the balance of the shares in JBFG (subject to receipt of all relevant shareholder and regulatory approvals).

Independent Expert's Report

Listing Rule 10.10.2 provides that shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the proposed transaction from an independent expert. The report must state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded (**Non-Associated Shareholders**). Accompanying this Explanatory Memorandum is the Independent Expert's Report prepared by the Independent Expert. This report provides a detailed examination of the Transaction. The Independent Expert has concluded that the Transaction is fair and reasonable to the Non-Associated Shareholders.

The Independent Expert's Report is for the purpose of assisting the Non-Associated Shareholders' consideration and assessment of the merits of the Transaction and the making of their decision whether to vote in favour of the Resolution. Shareholders are urged to carefully read the Independent Expert's Report, to understand the scope of the report, the methodology of the valuation and the assumptions made.

A copy of the Independent Expert's Report included in this Notice of Meeting and Explanatory Memorandum at Annexure A. A copy of the Independent Expert's Report is also available on the Company's website at www.henrymorgan.com.au and additional copies, free of charge, may be requested by a Shareholder by contacting the Company Secretary at cosec@henrymorgan.com.au.

3.12 **ASX Listing Rule 10.5 - Approval before getting an option**

Listing Rule 10.5 states that an entity must obtain the approval of its Shareholders before a put or call option is issued (or the issue must be subject to that approval). Accordingly, the Shareholder approval is being sought for these purposes prior to the issue of the Put Option.

Per Listing Rule 10.6, if approval is given in accordance with Listing Rule 10.5, further approval is not required at the time of exercise of the option. As such, and for the avoidance of any doubt, Shareholders are also approving the potential and future exercise of the Put Option.

3.13 **Chapter 2E Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to a Related Party of a public company (**Related Party Transaction**).

Section 208(1) of the Corporations Act provides that for a public company (or an entity that controls it) to give a financial benefit to a Related Party, the public company must first obtain shareholder approval for the Related Party Transaction, in circumstances where certain requirements specified in Chapter 2E of the Corporations Act are met and the benefit must be given with 15 months after the approval.

Section 208(2) of the Corporations Act provides that the benefit need not be given within 15 months of the approval of members if the giving of the benefit is required by a contract and the making of the contract was approved by members as a financial benefit given to a Related Party. For the avoidance of any doubt, given that some of the benefits pursuant to the Transaction may be given over a period of time, the Agreement (and Transaction Documents) will be 'contracts' for these purposes.

"Related Party" is defined in section 228 of the Corporations Act, and includes, an entity that controls a public company, directors of the public company and directors of an entity that controls the public company. Shareholders should refer to section 3.11, which sets out the rationale for the Company determining to put the Transaction to shareholders for approval as if each of JBFG, JBTH and BRL are Related Parties of the Company for the purposes of Chapter 2E of the Corporations Act. In addition, shareholders should refer below in relation to the potential indirect financial benefits given to Mr Stuart McAuliffe, Mr John McAuliffe and Mr

Ross Patane and the Relevant Entities by virtue of their shareholdings (direct and indirect) in JBFG.

"Financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes a public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

3.14 Information for Shareholders – Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to Shareholders:

(a) Identity of the Related Parties

(1) JBFG, BRL and JBTH

Shareholders should refer to section 3.11, which sets out the rationale for the Company determining to put the Transaction to shareholders for approval as if each of JBFG, JBTH and BRL are Related Parties of the Company for the purposes of Chapter 2E of the Corporations Act.

(2) Directors and Relevant Entities

Each of Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane and the Relevant Entities is a Related Party of the Company.

Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane are Related Parties of the Company by virtue of section 228(2)(a) of the Corporations Act (which provides that the directors of a public company are Related Parties of that public company).

Section 228(4) of the Corporations Act provides that an entity that is controlled by a Related Party (i.e. an entity that is also controlled by a director) is also a Related Party of the public company (unless the entity is also controlled by the public company). Accordingly, the Relevant Entities (being entities controlled by/associated with Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane) are also Related Parties of the Company.

The Interested Parties have an interest (either directly or indirectly) in shares in JBFG as is noted in detail below, and accordingly may receive a financial advantage from the Transaction through an increase in the value of the JBFG Shares that they hold. As, Chapter 2E of the Corporations Act regulates the giving of a financial benefit through one or more interposed entities, accordingly, where the Interested Parties have an interest in an entity that holds shares in JBFG, that has also been noted below.

Mr Stuart McAuliffe

Mr Stuart McAuliffe has an indirect interest in approximately 8.92% in JBFG (based on an indirect interest in JBFG Shares of 2,400,000 JBFG Shares) held by Henry Avery Partners Pty Ltd (an entity controlled by Mr Stuart McAuliffe).

Mr Stuart McAuliffe and entities associated with him (the SM Entities) also hold shares or otherwise have a relevant interest in JBL of approximately 20.9%.

JBL holds an approximate 4.27% direct interest in JBFG[10] and an approximate 53.58% interest in BRL (which in turn holds 32.86% in JBFG).

Mr John McAuliffe

Mr John McAuliffe and entities associated with him (the JM Entities) hold shares or otherwise have a relevant interest in JBL of approximately 3.35%. JBL holds an approximate 4.27% direct interest in JBFG[11] and an approximate 53.58% interest in BRL (which in turn holds 32.86% in JBFG).

Mr Ross Patane

Mr Ross Patane and entities associated with him (the RP Entities) hold shares or otherwise have a relevant interest in JBL of approximately 0.32%. JBL holds an approximate 4.27% direct interest in JBFG[12] and an approximate 53.58% interest in BRL (which in turn holds 32.86% in JBFG).

(b) **The nature of the Financial Benefit (section 219(1)(b))**

'Financial Benefit' is defined broadly in the Corporations Act.

Section 229(2) notes that "giving a financial benefit" includes"

- giving a financial benefit indirectly, for example, through one or more interposed entities; and
- giving a financial benefit that does not involve paying money (for example by conferring a financial advantage).

Relevant examples of "giving a financial benefit" in section 229 of the Corporations Act, include:

- giving or providing a Related Party property;
- selling an asset to a Related Party; and
- granting an option to a Related Party.

In addition to the broad interpretation of 'financial benefit', the Corporations Act:

- requires any consideration given for the benefit to be disregarded, even if such consideration is adequate; and
- notes that a financial benefit includes giving a financial advantage that does not involve paying money.

Having regard to the terms of the Transaction set out in section 3.7, the financial benefit to be given to each of the Interested is set out below:

(1) **All Interested Parties**

A financial benefit can be given indirectly (i.e. through 1 or more interposed entities) and may not involve paying money (i.e. conferring a financial advantage).

[10] Refer to footnote 9.
[11] Refer to footnote 9.
[12] Refer to footnote 9.

As noted above, the Interested Parties hold shares in JBFG. Accordingly, they may obtain a financial advantage from the Transaction by virtue of their shareholding in JBFG (as outlined above in section 3.14(a)(2)), as JBFG is receiving the financial benefits and advantages noted above. Potentially this will occur through an increase in the value of their shares in JBFG.

(2) **Stuart McAuliffe, John McAuliffe, Ross Patane and Relevant Entities**

To the extent that the Transaction results in increased performance of the Company's NTA/portfolio, then in accordance with the management agreement between the Company and JBL, JBL may receive increased management and performance fees. As Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane and the Relevant Entities hold shares in JBL (directly and indirectly) they may have a financial advantage conferred upon them in these circumstances as a result of the Transaction (i.e. an increase in the value of their JBL shares).

(3) **JBFG**

The Company will give JBFG a financial benefit in the form of the Put Option Fee.

The Company will also give JBFG a financial benefit on the exercise of the Put Option, as the Company will be disposing of an asset (the JBFG Shares and BRL Shares) to JBFG.

(4) **JBTH**

The Company will give JBTH a financial benefit by the Company entering into the Exclusive Trading Agreement and trading all financial products exclusively through the JBTH Parties.

(c) **Directors' Recommendation (section 219(1)(c))**

Having regard to the matters set out in this Notice of Meeting (including, specifically the matters set out in section 3.16 below), each of the Non-Interested Directors (Mr Peter Ziegler, Dr George Earl and Ms Vanessa Gunner) recommends that shareholders vote in favour of Resolution 1.

Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane are directors of the Company and also directors of BRL, JBL and (in the case of Mr Stuart McAuliffe) a former director of JBFG. Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane have determined not to give a recommendation to Shareholders in relation to Resolution 1.

(d) **Directors' Interest in the outcome (section 219(1)(d))**

The Non-Interested Directors do not have an interest in the outcome of the Resolution.

Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane have an interest in the outcome of the Resolution in their capacity as shareholders of JBL (which holds direct and indirect interests in JBFG).[13]

In addition, Mr Stuart McAuliffe has an interest in the outcome of the Resolution arising from the indirect interest he has through an associated entity in its capacity as a Shareholder in JBFG.

[13] Refer to footnote 9.

Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane did not participate in the deliberations in respect of the Transaction, nor were they present nor voted on the Company entering into the Transaction.

(e) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

(1) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company disposing of the JBFG Shares and the BRL Shares pursuant to Resolution 1 are explained under the "disadvantages" heading at section 3.15 below.

Having regard also to the conclusion of the Independent Expert, the Non-Interested Directors consider that the disadvantages of the Transaction are offset by the advantages accruing to the Company in undertaking the Transaction.

(2) **Taxation Consequences**

The grant of the Put Option will not give rise to a capital gains liability for the Company.

In the event of the Company's exercise of its Put Option, the Company's disposal of its JBFG Shares and the BRL Shares will be treated as the disposal of relevant assets for Australian taxation purposes. The Company's disposal will be treated as a Capital Gains Tax (CGT) event and accordingly the gain on disposal of these assets will be included within the Company's assessable income as a consequence of the operation of the CGT provisions in Part 3-1 of the *Income Tax Assessment Act 1997* (Cth). The CGT event will arise at the time of each asset's disposal, being at the time(s) of the Company's exercise of the Put Option.

(3) **Impact of the transaction on the Company**

The impact of the transaction on the Company is set out in full detail at sections 3.1, 3.9, and 3.10 above.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolution 1.

(f) **Voting exclusion statement**

A voting exclusion statement is set out in Resolution 1 in the Notice of Meeting.

3.15 Impact of the Transaction

Advantages

The Non-Interested Directors of the Company consider that the advantages of the Transaction include:

(a) a potential return on investment in excess of the Company's initial investment in JBFG - the Non-Interested Directors understand that the historical cost for all of the Company's investment in JBFG was $6,300,106 and in BRL was $4,099,998 (total

$10,400,104). The fair value of the Company's investments reported in the Company's financial report for the half-year ended 31 December 2017 was $29,510,120 for JBFG and $14,114,148 for BRL (total $43,634,248). This can be contrasted with the proceeds able to be received by the Company, which may result in the Company receiving an aggregate of $79,160,000, being made up of $67,160,000 in cash in the event of the Company's exercise of the Put Option and the $12,000,000 Face Value of the Notes;

(b) the receipt of interest on the Face Value of the Notes while they are on issue, and the ability to convert the Notes into shares in JBTH at the Company's election (pursuant to the terms of the Notes);

(c) reducing the exposure of the Company's portfolio to unlisted securities, and more specifically, to JBFG (which as at 30 June 2017 constituted approximately 47% of the Company's portfolio), and allowing the Company the opportunity to partially rebalance its portfolio; and

(d) indirectly allowing the Company to invest in global opportunities in which the Company may have previously been precluded to an extent due to the size of its portfolio and the portion of the portfolio consisting of unlisted securities (i.e. if completed, the Transaction will ultimately result in a substantial cash injection into the Company, which the Company may then deploy for further investment).

Disadvantages

Although the Transaction is recommended by the Non-Interested Directors of the Company and the Independent Expert has concluded that the Transaction is fair and reasonable to the Non-Associated Shareholders, Shareholders should also consider the following disadvantages of the Transaction. The Non-Interested Directors consider that the disadvantages of the Transaction are significantly outweighed by the advantages and benefits of the Transaction. The disadvantages of the Transaction include:

(a) the Transaction will result in a material increase in the NTA of the Company (based on the value of the Put Option and the JBTH convertible note) which will crystallise a performance fee payable to JBL which is estimated to be $7.5 million. While this performance fee is determined based on the existing management services agreement between the Company and JBL, the Transaction will crystallise this fee without any proceeds being immediately received by the Company from the realisation of its investments. JBL have advised the Company that payment of any performance fees arising from the Transaction will be deferred until sufficient liquid assets are available within the Company to discharge this performance fee, thereby mitigating the short term cashflow impact of the Transaction on the Company;

(b) should the Company elect to redeem the convertible notes (rather than convert these convertible notes into additional JBTH shares), the funding of any redemption of these notes at maturity is subject to significant commercial risks due to the early stage nature of JBTH's business and JBTH's intention to issue $13.5 million of similar instruments to BHD. In addition, there are limited restrictions on JBTH issuing similar instruments in the future. Furthermore, it is also envisaged that the Company's security over certain JBTH assets (namely Genesis) will be subordinated to the security granted to this other convertible note holder. Accordingly, there is therefore a commercial risk that JBTH will be unable to fund any request by the Company for the redemption of these convertible notes in the future;

(c) a decreased direct holding in JBFG and BRL, which eliminates the potential to gain from any future appreciation in the market value of JBFG and BRL shares;

(d) indirectly, if the Company divests the JBFG Shares and BRL Shares and invests funds in alternative investments, there can be no guarantee that such investments will either:

(1) create an acceptable return on investment (or any return on investment at all for that matter); or

(2) outperform the return on investment that may have been achieved through a continued direct investment in JBFG and BRL.

(e) the Company being contractually bound by the Exclusive Trading Commitment for 5 years, although the Company notes that under this Exclusive Trading Commitment there are to be no minimum or maximum trading requirements and brokerage fees are to be equal to or more competitive than market rates.

Potential position of the business and the shareholders should the Transaction not proceed

Should Shareholders not approve Resolution 1:

(a) a condition precedent to the Agreement will not be satisfied, and accordingly either party may terminate the Agreement by notice in writing to the other party - all of the Transaction Documents which are conditional upon the Agreement and the grant of the Put Option will not proceed;

(b) the Company will retain 100% of its investment in JBFG and BRL and the Company will be subject to any potential upside or downside risks associated with that continued investment in JBFG and BRL at its current level of direct exposure;

(c) the Non-Interested Directors may recommend that the Company seek to sell a portion of its shareholding in JBFG and BRL to other interested parties and seek to deliver a diversified and balanced portfolio across different geographies, sectors and asset classes - if implemented, this will reduce the Company's exposure to passive non-current assets and provide further capital for future investment;[14]

(d) the Company may seek to raise further capital for investment (i.e. to rebalance the allocation of its assets);[15] and

(e) it may adversely impact upon the NTA of the Company and/or the price or value of the Company's securities, as the anticipated proceeds of the Transaction will not be received.

3.16 Directors' recommendations and interests in the outcome

The Non-Interested Directors of the Company have made their recommendation by taking into account the Independent Expert Report, the macro-commercial impact of the Transaction, and a cost-benefit analysis of the advantages and disadvantages of the Transaction.

The Non-Interested Directors consider the Transaction is in the best interests of the Company and all Shareholders. The Non-Interested Directors confirm that they are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

For the reasons given above, the Non-Interested Directors strongly recommend that Shareholders vote in favour of the Resolution.

As noted above, Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane are directors of the Company and also directors of BRL, while Mr Stuart McAuliffe was previously a director of JBFG. In addition, Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane may receive an indirect financial benefit from the Transaction by virtue their direct and indirect

[14] The Non-Interested Directors note that their ability to implement or influence future investment decisions and processes are limited by virtue of being a party to the Management Services Agreement between the Company and the Investment Manager, whereby the Investment Manager is responsible for the Company's investments.
[15] Ibid.

shareholdings in JBFG and in JBL. In these circumstances, Mr Stuart McAuliffe, Mr John McAuliffe and Mr Ross Patane have determined not to give a recommendation to Shareholders in relation to the Resolution.

Nothing in this Explanatory Memorandum is intended as financial, taxation or legal advice, if you are unsure about any aspect of this Explanatory Memorandum in relation to your individual circumstances, you should seek your own independent advice.

4. Independent Expert's Report

In accordance with ASX Listing Rule 10.10.2, the Non-Interested Directors engaged the Independent Expert to provide the Independent Expert's Report on the Transaction (which appears at Annexure A to this Explanatory memorandum), the subject of the Resolution.

Shareholders are asked to note that the Independent Expert's Report has been prepared by the Independent Expert and the Company does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report, other than factual information provided by the Company to the Independent Expert for the purposes of the Independent Expert's Report.

The Independent Expert has determined that the Transaction is fair and reasonable.

The Independent Expert's Report is attached as Annexure A to this Notice of Meeting and Explanatory Memorandum, and can be accessed on HML's website at www.henrymorgan.com.au. The Company will, on request by a Shareholder, send a copy of the Independent Expert's Report to the Shareholder at no cost.

5. Interpretation

Aggregate Consideration has the meaning given to that term in section 2.3 of the Explanatory Memorandum.

Agreement or **Implementation and Put Option Agreement** means the Implementation and Put Option Agreement entered into between the Subscriber, JBFG, BRL and JBTH on or about 6 June 2018. .

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as applicable).

ASX Listing Rules means the official Listing Rules of the ASX imposed by ASX, as amended from time to time.

BHD means Benjamin Hornigold Limited ACN 618 854 045.

BRL or **Bartholomew Roberts Pty Ltd** means Bartholomew Roberts Pty Ltd ACN 612 024 549.

BRL Distribution has the meaning given to that term in section 2.3 of the Explanatory Memorandum.

BRL Shares means all of the shares that the Company holds in BRL.

Business Day means a day on which all banks are open for business generally in Brisbane.

Cash Threshold means $67,160,000.

Client Agreement has the meaning given to that term in Annexure B.

Company or **Henry Morgan Limited** or **HML** means Henry Morgan Limited ACN 602 041 770.

Constitution means the constitution of the Company, as amended from time to time.

Convertible Note Deed or **Secured Redeemable Convertible Note Deed** means the deed referred to in section 2.2(e) of the Explanatory Memorandum and as is more fully described in Annexure C.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors or **Board** means the board of directors of the Company from time to time.

Equity Interests has the meaning given to that term in the ASX Listing Rules.

Event of Default is as defined in Annexure C.

Exclusive Trading Deed means the deed referred to in section 2.2(d) of the Explanatory Memorandum and as is more fully described in Annexure B.

Exclusivity Period has the meaning given to that term in Annexure B.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice of Meeting.

Face Value, in relation to the Notes, means $1,000 per Note.

Further Conditions has the meaning given to that term in section 3.7 of the Explanatory Memorandum.

General Security has the meaning given to that term in section 2.2(f) of the Explanatory Memorandum.

General Security Deed has the meaning given to that term in section 2.2(f) of the Explanatory Memorandum.

GPT means Genesis Proprietary Trading Pty. Ltd. ACN 165 985 615.

Harnewei means Harnewei Pty Ltd ACN 122 926 354.

Independent Board Sub-Committee or **HML Committee** or **Committee** means the sub-committee established by the Company in relation to the Transaction, comprising Mr Peter Ziegler and Dr George Earl.

Independent Expert or **Leadenhall** means Leadenhall Corporate Advisory Pty Ltd ABN 11 114 534 619.

Independent Expert's Report or **IER** means the independent expert's report prepared by the Independent Expert attached to this Notice of Meeting as Annexure A.

Interested Parties means BRL, Stuart McAuliffe, John McAuliffe, Ross Patane and the Relevant Entities.

Investment Manager means JBL.

JB Alpha means JB Alpha Ltd ACN 131 376 415.

JBFG means JB Financial Group Pty Ltd ACN 613 592 135.

JBFG Liquidity Event means an event (including without limitation, a capital or debt raising by any means whatsoever) which results in JBFG receiving cash equal to or in excess of $67,160,000.

JBFG Shares means all of the shares that the Company holds in JBFG.

JBL means John Bridgeman Limited ACN 603 477 185.

JB Markets means JB Markets Pty Ltd ACN 123 876 291.

JBTH means JB Trading House Pty Ltd ACN 625 874 115.

JBTH Parties means JBTH, JB Markets, JB Alpha and GPT, and JBTH Party means any one of them.

JM Entities means entities associated with Mr John McAuliffe (Tetue Pty Ltd) which hold shares in JBL.

Kings means King's Currency Exchange Pty Ltd ACN 010 014 392.

Meeting and **Extraordinary General Meeting** means the extraordinary general meeting of Shareholders to be held at Queensland Club, 19 George Street, Brisbane QLD 4000, on Wednesday, 12 September 2018 at 10:00am (Brisbane time).

Non-Associated Shareholders means the Shareholders whose votes are not to be disregarded on Resolution 1.

Non-Interested Directors means Ms Vanessa Gunner, Dr George Earl, and Mr Peter Ziegler being the directors of the Company other than the Common Directors.

Notes means the 12,000 secured redeemable convertible notes issued by JBTH for their Face Value to the Company as defined in section 2.2 of the Explanatory Memorandum.

Notice of Meeting means this Notice of Extraordinary General Meeting and the Explanatory Memorandum.

Ordinary Resolution means a resolution passed by more than 50% of the votes cast at a general meeting of Shareholders.

Pari Passu Deed means the deed referred to in section 2.2(g) of the Explanatory Memorandum and as is more fully described in Annexure D.

PPSA means the Personal Property Securities Act 2009 (Cth).

Put Option has the meaning given to that term in the Resolution and is more fully described in the Explanatory Memorandum.

Put Option Exercise Period has the meaning given to that term in section 2.3 of the Explanatory Memorandum.

Put Option Fee means $1.00, to be paid by the Company to JBFG as consideration for the grant of the Put Option as per the Resolution.

Put Option Grant Date means the date on which the Put Option is granted.

Related Party has the meaning given to that term in section 228 of the Corporations Act.

Relevant Entities means the SM Entities, the JM Entities and the RP Entities.

Relevant Interest has the meaning given to that term in sections 608 and 609 of the Corporations Act.

Resolution or **Resolution 1** means the resolution proposed in the Notice of Meeting.

RP Entities means entities associated with Mr Ross Patane (Areao Pty Ltd and Wonate One Pty Ltd) which hold shares in JBL.

Share means a fully paid ordinary share in the issued capital of the Company.

Shareholder means a registered holder of Shares in the Company.

SM Entities means entities associated with Mr Stuart McAuliffe (John Hawkins Pty Ltd, Henry Avery Partners Pty Ltd and Tetue Pty Ltd) which hold shares in JBL.

Specific Security has the meaning given to that term in section 2.2(c) of the Explanatory Memorandum.

Specific Security Deed means the deed referred to in section 2.2(c) of the Explanatory Memorandum and as is more fully described in Annexure D.

Transaction has the meaning given to that term in the Resolution and is as more fully described in the Explanatory Memorandum.

Transaction Documents has the meaning given to that term in Annexure D.

Voting Power has the meaning given to that term in the Corporations Act.

Notice of Extraordinary General Meeting and Explanatory Memorandum

Any enquiries in relation to the Resolution or the Explanatory Memorandum should be directed to Kevin Mischewski (Company Secretary):

Level 9, 123 Eagle Street, Brisbane QLD 4000
cosec@henrymorgan.com.au

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a Shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the Shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a Shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001* (Cth).

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the Share Registry at the details below or otherwise as per the proxy form,** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

By hand:
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

By mail:
Henry Morgan Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax:
+61 2 9287 0309

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (Sydney time) on 10 September 2018. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

Individual:	Where the holding is in one name, the holder must sign.
Joint Holding:	Where the holding is in more than one name, all of the security holders should sign.
Power of Attorney:	To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies:	Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.
	Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.
	Please indicate the office held by signing in the appropriate place.

Proxy Form

Annexure B - Summary of terms of Exclusive Trading Deed

Parties	• The Company; • The JBTH Parties, consisting of: o JBTH; o JB Markets; o JB Alpha; and o GPT.
Purpose	The Company agrees that for the duration of the Exclusivity Period (as that term is defined below) it will execute all of its trades involving: • derivatives; • forward contracts; • contracts for difference; and • any other financial products, through any one or more of the JBTH Parties. Separate agreements will be entered with each JBTH Party as required, setting the terms on which the relevant JBTH Party will execute such trades (**Client Agreement**).
Exclusivity Period	The period of exclusivity under the Exclusive Trading Deed will commence on the Put Option Grant Date, and will end on the earlier of: • the date that is 5 years after the Put Option Grant Date; • the date the Exclusive Trading Deed is terminated in accordance with its terms; or • any other date agreed in writing by the parties, (**Exclusivity Period**).
Exclusivity Obligations	During the Exclusivity Period, the Company undertakes and agrees that it will not, directly or indirectly: • solicit, initiate, or knowingly encourage or facilitate any inquiries or the making of any proposal (whether binding or in principle) that constitutes or is reasonably likely to lead to a transaction of a similar nature to the Exclusive Trading Deed with any party who is not a JBTH Party (**Third Party Transaction**); • enter into or participate in any discussions or negotiations with a third party regarding a Third Party Transaction; • furnish to any third party any non-public information (whether orally or in writing) in connection with, or in furtherance of, any Third Party Transaction; • knowingly assist, participate in, facilitate or encourage any third party that has made or is intending to make a Third Party Transaction; or • enter into any agreement in principle, letter of intent, term sheet, agreement or other similar instrument constituting or relating to a Third Party Transaction, without the prior written consent of JBTH, which consent is not to be unreasonably withheld.

Minimum Service Standards	Each JBTH Party must meet the following minimum service standards in the performance of their responsibilities pursuant to, and executing trades under, any Client Agreement as set out in the Exclusive Trading Deed: **Execution desk** (a) Provide full execution desk services from 8:00 am Monday morning until 7:00 am Saturday morning inclusive. The desk will be operated by licensed experienced brokers each of whom will have the ability to execute trades in all major future markets promptly and with minimum slippage. **Trading system** (b) Provide an electronic trading system with access to the CME Group, Liffe, Eurex, ASX24 at a minimum. (c) Provide trading support services to cancel any working order on the system provided in an orderly and efficient manner. **Confirmations** (d) At the end of each trading session, an accurate confirmation of all trades will be made available either via email or a middle office trade management system. **Regulation** (e) Facilitate the business of the client within the relevant rules of the jurisdictions of the markets which they operate in. (f) Maintain (at least at a minimum) their current Australian Financial Services Licence capabilities. **Accounting records** (g) Keep accurate books of records according to Australian Accounting standards. **Dispute resolution** (h) Maintain registration with relevant third party dispute resolution providers and if the need arises, use this service for trade disputes. **Client segregation** (i) Maintain client funds segregated at all times in a trust account established on behalf of each client and segregated from house funds. **Group confidentiality** (j) Holds any information about the client confidential in accordance with client requirements. **Staffing** (k) Will ensure that staff have relevant experience and up to date licenses in the products which they are broking and clearing.

<table>
<tr><td>Annual review</td><td> The parties must, in consultation with one another, undertake (either themselves or through an appropriately qualified professional adviser), a full review of the terms of the Client Agreements on an annual basis at or around the anniversary of the commencement of the Exclusive Trading Deed. The purpose of this Annual Review is, in part, to determine the applicable fees under the Client Agreements, which must be equal to or less than Market Rates (as that term is defined below) as determined between the parties at the time of the Annual Review. 'Market Rates' in this context means in respect of the fees applicable to a trade involving derivatives, forward contracts, contracts for difference and any other financial products (and having regard to the value of the relevant trade), the average fee that would be charged by third party entities whose ordinary business includes the execution of trades involving derivatives, forward contracts, contracts for difference and any other financial products in executing such a trade. The parties must agree to any amendment of the applicable fees under the Client Agreements following an Annual Review, and if the parties cannot agree an appropriate amendment, the applicable fees will remain the same as for the previous 12 month period. </td></tr>
<tr><td>Inconsistencies</td><td>In the event of any inconsistencies between the Exclusive Trading Deed and a Client Agreement, the Exclusive Trading Deed will prevail.</td></tr>
<tr><td>Warranties</td><td> The Exclusive Trading Deed contains a standard range of representations and warranties given by all parties to the Exclusive Trading Deed, and a set of more specific warranties given by the JBTH Parties that: They have the necessary facilities, equipment, software and qualified personnel available to perform their respective obligations under this deed and the Client Agreements to which they are each parties;
all work performed by the JBTH Parties under the Exclusive Trading Deed and the Client Agreements will be carried out and completed with due skill and care and to the best industry standards by qualified personnel trained and skilled in the performance of the specific services involved, in a proper and workmanlike manner and using resources suitable having regard to the nature of the services;
the JBTH Parties hold, and will continue to hold, such licences, permits, registrations and insurances as are required under any state, territory or Commonwealth legislation or regulation to carry out any work under this deed or any of the Client Agreements; and
the services provided by the JBTH Parties under the Client Agreements will:
be fit for the purposes for which the services are sought; and
comply with all applicable laws, requirements of any regulatory body (including the rules of any relevant Stock Exchange), mandatory industry codes, and generally accepted Australian market practice.</td></tr>
</table>

<table>
<tr><td>Termination</td><td>The Company may terminate a Client Agreement or the Exclusive Trading Deed if:

an Event of Default (as that term is defined in the Convertible Note Deed) is triggered by JBTH;
any of the JBTH Parties fails to meet the Minimum Service Standards for one or more Client Agreements;
any of the JBTH Parties commits a material breach of a fundamental term of any Transaction Document that:

has a material and adverse affect on the Company; and
is incapable of remedy or is not reasonably remedied within ten Business Days of the breach first occurring;

any of the JBTH Parties cease to hold such licences, permits, registrations and insurances as are required under any state, territory or Commonwealth legislation or regulation to carry out any work under the Exclusive Trading Deed or any of the Client Agreements.

Otherwise, a party may only terminate a Client Agreement or the Exclusive Trading Deed if the other party:

commits a material breach of a fundamental term of a Client Agreement or the Exclusive Trading Deed (including a breach of warranty) that:

has a material and adverse affect on the first party; and
is incapable of remedy or is not reasonably remedied within ten business days of the breach first occurring;

an insolvency type event occurs in respect of a party to the Client Agreement or the Exclusive Trading Deed; or
a change of control occurs in respect of a party to the Client Agreement or the Exclusive Trading Deed without the consent of the other parties to the Client Agreement or the Exclusive Trading Deed (as applicable).
</td></tr>
</table>

Annexure C - Summary of terms of Convertible Note Subscription Deed

Notes	JBTH will issue the Company 12,000 secured redeemable convertible notes (**Notes**) issued by JBTH with a Face Value of $1,000 each. The consideration for the issue of the Notes include, amongst other matters, the transactions contemplated by the Agreement and the Company's entry into the Exclusive Trading Deed.
Conditions precedent	Completion of the issue of the Notes is conditional on the grant of the Put Option under the Agreement.
Completion Date	The Put Option Grant Date.
Interest Rate and Payment	The Notes incur interest at the rate of 4.1% per annum payable every 6 months, accruing daily on the Face Value of the notes and is cumulative. Interest will be charged at a rate of 6% per annum on any overdue amounts.

Conversion prior to repayment	The Company may convert the Notes into shares in JBTH at any time following their issue up to the date that is 10 business days before the date that is 4 years after their issue, by giving JBTH a notice of conversion of the Notes. The Company may convert some or all of the Notes at any one time, providing the number of Notes to be converted is either a multiple of 250 or the maximum number of unconverted Notes, or some other number as agreed with JBTH. On receiving a notice of conversion JBTH must convert the applicable number of Notes into JBTH shares ('X' in the formula below), in accordance with the following formula: X = Y / 'Conversion Price' (subject to any adjustments as set out in the 'Adjustment on conversion' section below) where: (a) Y is the number of Notes being converted multiplied by their face value; and (b) Conversion Price means: a. where a Liquidity Event has occurred as at the date of Conversion, the Liquidity Conversion Price; or b. if a Liquidity Event has not occurred as at the date of Conversion, the Expert Conversion Price. 'Liquidity Event' in this case means an IPO Event, a Capital Event or an Offer Event (each defined below). 'Liquidity Conversion Price' means a value calculated in accordance with the following formula: Liquidity Conversion Price = (Pre-Money Valuation / the number of JBTH shares on issue immediately prior to the Liquidity Event) x 0.6 'Expert Conversion Price' means a 40% discount to the price per share determined from an independent valuation of JBTH by an expert. 'Pre-Money Valuation' means the value of the Company calculated by reference to: • in the event of an IPO Event, the price per share offered under the IPO prospectus; • in the event of a Capital Event, the issue price per Share pursuant to that Capital Event; or • in the event of an Offer Event, the offer price per Share pursuant to that Offer Event, in each case, multiplied by the Existing Shares. 'IPO Event' means JBTH lodging an IPO prospectus. 'Capital Event' means any event pursuant to which JBTH issues Shares in consideration for money. 'Offer Event' means JBTH receiving a cash offer made by a bona fide third party to acquire all of the shares on issue in JBTH.

Adjustment on conversion	On the Company electing to convert the last of the Notes (**Final Conversion Date**), a number of adjustments to the total shares to be issued on conversion are to be made such that JBTH will issue the Company: • a minimum of 16.856% of the total JBTH shares on issue (calculated on a fully diluted basis); • where JBTH is not a regulated entity subject to the takeover provisions of Chapter 6 of the Corporations Act, such number of shares in JBTH as is calculated by reference to the Conversion Price, which, for the avoidance of any doubt will equal at least a minimum of 16.856% of the JBTH shares on issue (calculated on a fully diluted basis); • where JBTH is a regulated entity subject to the takeover provisions of Chapter 6 of the Corporations Act and: o JBTH Shareholder approval for the purposes of section 611 item 7 has not been obtained, no more than 19.99% of the JBTH Shares on issue; or o JBTH Shareholder approval for the purposes of section 611 item 7 has been obtained, such number of shares in JBTH in excess of 19.99% of the JBTH Shares on issue as provided for in that approval. In the event that JBTH is listed on a stock exchange and is subject to a prohibition on making an option exercisable over a percentage of its shares, then the above adjustment mechanic calculations will be applied immediately prior to listing such that a fixed number of shares to be issued on conversion of the Notes is determined.
Repayment/redemption	The 'Redemption Date' of the Notes is the date that is 4 years after the date of their issue (subject to no earlier conversion, Event of Default or the Company expressly permitting early repayment). If the Company agrees in writing, JBTH may repay all (but not part) of the Notes at any time, by giving the Company a 'Payment Notice'. Within 5 business days of receiving a Payment Notice the Company is able to give notice to convert the Notes. The Company may elect, by notice in writing to JBTH at least five business days prior to the Redemption Date, to receive payment for the Notes in instalments, in which case the Face Value for the Notes will be payable by JBTH to the Company in 12 equal monthly instalments from the day after such notice is given until the Face Value has been repaid to the Company in full, and interest will continue to accrue and be payable until suitable payment has occurred. Unless the Notes have been repaid or converted into shares, or the Company has elected to receive payment for the Notes in instalments, on the Redemption Date JBTH must repay to the Company the total of the Face Value of all Notes held by the Company, and any interest accrued and payable on those Notes.
Transfer	Subject to obtaining the prior written approval of JBTH and the proposed transferee entering into a deed of adherence agreeing to be bound by the Convertible Note Subscription Deed, the Notes may be freely transferred. If the Notes transferred in this way are the only Notes held by the Company, the Company must release the General Security.

Covenants	While the Notes remain outstanding, JBTH must: (a) comply with, and perform all of its obligations under, the Agreement, the Exclusive Trading Deed, each Note, the General Security Deed and the Pari Passu Deed; (b) maintain its corporate existence; (c) ensure that the rights attaching to shares are not altered in a way that prejudices any rights attaching to shares to be issued because of the conversion of the Notes as compared to the rights attaching to shares already issued before conversion; (d) carry on and conduct its business in the ordinary course of ordinary business and ensure that each of its subsidiaries (if any) does likewise for its business; (e) prepare and maintain proper books of account as required by the Corporations Act; and (f) give written notice to the Company of an event of default or a potential event of default as soon as JBTH becomes aware of it.
Events of Default	It is an Event of Default if any of the following events occur: • the Exclusive Trading Deed is terminated other than by reason of the Company's default under the Exclusive Trading Deed, which, in the reasonable opinion of the Company, materially jeopardises JBTH's ability to pay the Notes; • JBTH does not pay an amount payable under any Transaction Document, including but not limited to the Exclusive Trading Deed, and upon being given notice of the missed payment, does not pay the amount payable within five business days of receiving such notice; • JBTH is in breach of a term of a Transaction Document (other than a term requiring it to pay money under a Transaction Document or which is contained in another paragraph of the Event of Default clause) and the breach, if capable of remedy, is not remedied within five business days of its occurrence; • any representation, warranty or statement made repeated or deemed to be made or repeated by JBTH in any Transaction Document or any document issued under any Transaction Document is not complied with, is untrue or is misleading in any material respect; • an insolvency event occurs in respect of JBTH or any of its subsidiaries (**JBTH Group Members**); • any encumbrance created by any JBTH Group Member is enforced, which, in the reasonable opinion of the Company, materially jeopardises JBTH's ability to pay the Notes; • a material provision of a Transaction Document, including but not limited to the Exclusive Trading Deed, is illegal, void, voidable or unenforceable, which, in the reasonable opinion of the Company, materially jeopardises JBTH's ability to pay the Notes; • any financial indebtedness of JBTH or any of the JBTH Group Members becomes due before its stated maturity (other than at the option of JBTH or any JBTH Group Member), which, in the reasonable opinion of the Company, materially jeopardises JBTH's ability to pay

the Notes;

- any security issued by any JBTH Group Member is required, or becomes capable of being required, to be redeemed or repaid before its stated maturity by reason of the occurrence of an event of default or analogous occurrence (however described), which, in the reasonable opinion of the Company, materially jeopardises JBTH's ability to pay the Notes;
- any JBTH Group Member implements a merger, demerger or scheme of arrangement without the Company's prior written consent;
- JBTH:
  - reduces or attempts to reduce its capital;
  - passes or attempts to pass a resolution to reduce its capital or approve the giving of financial assistance;
  - takes any action to buy shares in itself, other than the insertion in its constitution of a provision to the effect that it may buy ordinary shares in itself,

  in any case without the prior written consent of the Subscriber or as is otherwise contemplated by the Transaction Documents;
- any authorisations necessary to enable JBTH to carry on its principal business or activity is withheld or ceases to be of full force and effect;
- all or any part of a Transaction Document ceases to have the priority which it purports to have;
- the constitution of JBTH is amended without the Company's prior written consent;
- JBTH fails to observe the covenants set out in the Exclusive Trading Deed; and
- an event occurs which is called or described as an "event of default" under any Transaction Document other than in the Exclusive Trading Deed.

If an event of default occurs, the Company may give JBTH a payment notice, pursuant to which JBTH must pay the Company the Face Value of all Notes held by the Company and any interest accrued on those Notes by 5.00pm on the second business day after receipt of such notice.

Security	All amounts owing by JBTH to the Company under the Notes and the Convertible Note Subscription Deed will be secured by the General Security. The key terms of the General Security Deed are summarised in Appendix D. JBTH reserves the right to issue further convertible notes which rank equally with, or subordinated to, the Notes but must not: (a) issue any further convertible notes or securities which rank in priority to the Notes; or (b) grant any further security interest which ranks in priority to the security interest granted under the General Security Deed. On all of the Notes either having being converted or their Face Value (and any accrued interest) being paid, the Company must release the General Security.

Annexure D - Summary of terms of Specific Security Deed, General Security Deed and Pari Passu Deed

Specific Security

Under the Specific Security Deed, granted by JBFG in favour of the Company (as Secured Party), JBFG grants a security interest in all of their 'Secured Property' to secure the payment of the 'Secured Money' and the performance of the 'Secured Obligations'.

'Secured Property' means JBFG's present and future right, title and interest in the 103 Kings shares and 12 Karnewei shares, any future issued Kings shares and Harnewei shares held by JBFG held by JBFG and any related property (being benefits accruing in respect of the shares, title certificates etc), with those shares representing 100% of the issued share capital of Kings and Harnewei.

'Secured Money' means all money that JBFG is liable to pay to the Company under the Transaction Documents.

'Secured Obligations' means all obligations of JBFG to the Company under the Transaction Documents.

'Transaction Documents' in this context refers to the documents defined as "Transaction Documents" in the Agreement, any supporting security and any other document JBFG and the Company agree is to be a Transaction Document for the purposes of the Specific Security Deed or any other Transaction Document.

The form of the Specific Security Deed is reasonably market-standard for this type of transaction. It contains a basic range of representations and warranties and undertakings requiring JBFG to keep the Secured Property in good condition and protect the Company's title in the Secured Property.

The definition of 'Event of Default' in the Specific Security Deed includes:

- JBFG failing to pay when due any amount payable by it under any Transaction Document;
- JBFG failing to perform when required any obligation required of it (and such failure not being remedied within 5 business days) under any Transaction Document;
- JBFG undergoing an insolvency event; and
- An event occurring that is described as an event of default in any Transaction Document.

On an Event of Default occurring, the Secured Party may enforce its rights under this document to declare all Secured Money due and owing, sue JBFG for the Secured Money, and take steps to seize or dispose of the Secured Property either directly or through the appointment of receivers.

If all the Secured Money and the Secured Obligations have been paid or performed in full, the Company is obliged to release the Secured Property from the security on the request of JBFG.

General Security

Under the General Security Deed, granted by JBTH in favour of the Company, JBTH grants a security interest in all of their 'Charged Property' to secure:

(a) the payment of the 'Secured Money' to the Company; and

(b) the performance of all obligations under the 'Transaction Documents'.

'Charged Property' means all of JBTH's present and after acquired personal property, all of JBTH's present and future rights in relation to personal property including any 'Proceeds' (as defined under the PPSA), and all of JBTH's present and after acquired rights and interests in land and any other property which is not personal property.

'Secured Money' refers to all amounts and liabilities which JBTH owes to the Secured Party at any time including those arising under the Transaction Documents and:

(a) all amounts which the Company has lent or agreed to lend or provide:

  a. to JBTH; or

  b. to someone else at the request of the Grantor;

(b) all amounts which JBTH is or may at any time be liable to pay the Company for any reason including in respect of any orders, drafts, cheques, promissory notes, bill of exchange, letters of credit, guarantees, bonds and other instruments;

(c) all amounts which at any time are owing but not presently payable or are owing upon a contingency by JBTH to the Company for any reason;

(d) all amounts which are payable to the Company under the General Security Deed or under any other Transaction Document; and

(e) any other monies including interest, stamp duty, legal fees, liquidated or unliquidated damages and any liability under a judgment or court order against JBTH in favour of the Company.

'Transaction Document' in this context refers to:

(a) the General Security Deed;

(b) the Agreement;

(c) the Convertible Note Subscription Deed;

(d) any collateral security;

(e) each of the "Convertible Note Documents" as that term is defined in the Convertible Note Subscription Deed; and

(f) any other document JBTH and the Company agree is to be a Transaction Document for the purposes of the General Security Deed or any other Transaction Document.

The General Security Deed restricts the manner in which JBTH can deal with the Charged Property, and imposes obligations on the JBTH to maintain the Charged Property. In particular, JBTH must not:

(a) create or allow another security interest in any of the Charged Property (other than as agreed with the Company); or

(b) dispose of any Charged Property (other than as agreed with the Company).

In the event of an 'Event of Default' (as defined in the Convertible Note Subscription Deed) the Secured Money is deemed to be immediately due and payable, and the Company may enforce the General Security, any collateral security or any other rights, powers or remedies available to it.

JBTH will also grant a security over all of its assets to BHD (**BHD Security**), to secure $13,500,000 worth of convertible notes issued or to be issued to BHD by JBTH. The priority of the BHD Security in relation to the General Security will be governed by the Pari Passu Deed, summarized below.

Pari Passu Deed

The Company, JBTH and BHD have entered into the Pari Passu deed to regulate the rights of the Company and BHD (**Secured Parties**) in respect to the securities granted (or to be granted) to them by JBTH, being the General Security and the BHD Security.

Under the Pari Passu Deed, the General Security, the BHD Security and any other security granted by JBTH to the Company or BHD will rank equally in priority, so that none has priority over the other.[16]

Any proceeds received by either of the Secured Parties arising from the enforcement of a security granted by JBTH while both Secured Parties still have monies owing to them will be applied by each Secured Party for its own benefit in accordance with their respective security, in proportion to their respective "Limits".[17] BHD's Limit is fixed at $13,500,000 and the Company's Limit is fixed at $12,000,000. Any enforcement proceeds not applied by a Secured Party for its own benefit must be held on trust for the other Secured Party.[18]

For the avoidance of doubt, monies due for payment under the convertible notes held by either Secured Party paid or repaid in the ordinary course are not considered 'enforcement proceeds' for this purpose and may be retained by the receiving Secured Party. However, after a Secured Party has taken any "Enforcement Action" (being any action to appoint a controller, declare a security held by it enforceable or otherwise enforce a security), no further payments may be made by JBTH or received by the Secured Parties without the prior written consent of both Secured Parties.

The Secured Parties agree that in the exercise of their rights under their Securities they will use reasonable endeavors to act for the benefit and advantage of each other.

A Secured Party must not, and the Grantor will not request, without the other Secured Party's consent:

(a) provide further financial accommodation to the Grantor or any other party if it would result in the Money Owing secured by that Secured Party's Security to be increased;

(b) increase the rate of interest or any fees applicable under a relevant convertible note deed (except in accordance with the terms existing at the original date of the document) if to do so would result in the Money Owing secured by that Secured Party's Security being increased; and

(c) change the maturity date of any loan or facility (howsoever described) under a convertible note deed.

Title documents to property that both Secured Parties would otherwise be entitled to hold on the terms of their securities (such as share certificates in respect of shares owned by JBTH) are to be held by BHD on behalf of both Secured Parties.

[16] Any encumbrance arising under the Specific Security Deed dated 11 September 2017 between BHD and JBFG (which is in respect of all of the shares in Genesis) is expressly excluded from the operation of the Pari Passu Deed. The effect of this is that to the extent that BHD has an enforceable security under the Specific Security Deed dated 11 September 2017, then BHD would be solely entitled to the proceeds of any enforcement of that security over the Genesis shares (instead of those proceeds being distributed rateably). The Company still has security over the Genesis shares under its Security, but such security ranks subordinate to BHD's security pursuant to the Specific Security Deed dated 11 September 2017 while that document remains in place.
[17] Ibid.
[18] Ibid.

Henry Morgan
LIMITED
ACN 602 041 770

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY EMAIL
vote@linkmarketservices.com.au

BY MAIL
Henry Morgan Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

X99999999999

PROXY FORM

I/We being a member(s) of Henry Morgan Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:00am (Brisbane time) on Wednesday, 12 September 2018 at Queensland Club, 19 George St, Brisbane QLD 4000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	**For**	**Against**	**Abstain***
1 Approval of Transaction			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HML PRX1801A

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Brisbane time) on Monday, 10 September 2018,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY EMAIL

vote@linkmarketservices.com.au

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Henry Morgan Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

Now you know
LEADENHALL

HENRY MORGAN LIMITED

PROPOSED TRANSACTION WITH JB FINANCIAL GROUP PTY LTD

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
[6] AUGUST 2018

Now you know
LEADENHALL

[6] August 2018

The Independent Directors
Henry Morgan Limited
GPO Box 3112
Brisbane QLD 4001

Dear Directors,

Independent Expert's Report for Henry Morgan Limited

1. Introduction

Henry Morgan Limited ("**HML**") is a listed investment company ("**LIC**") with interests in derivative instruments, listed securities and unlisted securities. HML's current strategy is to focus its investment portfolio on listed investments and/or businesses with a near-term expectation of a liquidity event. HML's unlisted investments include:

- A 19.9% interest in JB Financial Group Pty Ltd ("**JBFG**"). JBFG is a financial services company with businesses including foreign exchange dealing, specialist derivatives broking, proprietary trading, mercantile agency and investigation services and a recently established FinTech division. The retail foreign currency business is operated through a 100% subsidiary, Kings Currency Exchange Pty Ltd (operating as Crown Currency) ("**Crown Currency**"), that is a profitable and growing foreign currency business. The foreign exchange dealing, specialist derivatives broking and proprietary trading activities are conducted through 100% subsidiaries of JBFG including JB Trading House Pty Ltd (holding company) ("**JBTH**"), JB Markets Pty Ltd ("**JB Markets**"), JB Alpha Pty Ltd ("**JB Alpha**") and Genesis Propriety Trading Pty Ltd ("**Genesis**").
- A 31.2% interest in Bartholomew Roberts Pty Limited ("**BRL**"). BRL is an investment company which holds interests in unlisted securities including a 32.86% interest in JBFG.

The investments of HML and BRL are managed by John Bridgeman Limited ("**JBL**"), an investment manager focused on investing in global markets.

2. Proposed Transaction

HML has been considering options to decrease its exposure to unlisted investments. This has culminated in HML and JBFG entering into an Implementation and Put Option agreement ("**IPOA**") whereby JBFG would grant a put option ("**Put Option**") to HML in relation to divesting its shares in JBFG and BRL ("**Potential JBFG and BRL Sale**") in return for $67.16 million cash if exercised ("**JBFG and BRL Consideration**"). As security for the future payment of the JBFG and BRL Consideration, if the Put Option Transaction is approved, JBFG will grant HML specific security pursuant to a security deed ("**Specific Security Deed**") in respect of its shares in the business and lease holding companies comprising Crown Currency. The Put Option may be exercised 24 months after the grant date and expires five years post grant of the Put Option.

As part of the IPOA, HML and JBFG have also agreed to:

- Enter into an exclusive trading agreement with JBTH whereby JBTH would execute all trades involving derivatives, forward contracts and contracts for difference, at no worse than market rates on behalf of HML on an exclusive basis for a five-year period ("**JBTH Exclusive Trading Agreement**").
- As part of entering into the JBTH Exclusive Trading Agreement, JBTH has agreed to issue to HML convertible notes with a total face value of $12 million with interest paid at 4.1% per annum ("**JBTH Convertible Notes**"). The JBTH Convertible Notes may be redeemed after four years and can be converted into JBTH shares at any time within four years from the date of issue. As security for the future redemption of the JBTH Convertible Notes and ongoing interest obligations to HML, JBTH will grant HML general security over all of JBTH's existing and future assets.

We have defined the issue of the Put Option and execution of the JBTH Exclusive Trading Agreement and granting of the JBTH Convertible Notes collectively as the "**Proposed Transaction**".

Approval of the Proposed Transaction will not necessarily result in HML entering into the Potential JBFG and BRL Sale, nor oblige JBFG to provide to HML the JBFG and BRL Consideration. HML will require the approval of the HML board, and potentially HML shareholders, prior to exercising the Put Option.

Further information regarding the Proposed Transaction is set out in Section 1 of our detailed report.

3. Purpose of the report

Due to the existence of common directors between HML and JBL as well as the significant interest in JBFG held collectively by HML, BRL and JBL, we have prepared our report on the basis that the Proposed Transaction is subject to ASX Listing Rule 10 ("**Listing Rule 10**").

Furthermore, the face value of the JBTH Convertible Notes and the value of the Put Option (individually and in total) are greater than 5% of the most recently reported net assets of HML and will therefore represent a substantial asset of HML.

An Independent Expert's Report ("**IER**") is therefore being commissioned by HML to assess whether the Proposed Transaction is fair and reasonable to HML's shareholders not associated with JBFG ("**Non-Associated Shareholders**") in accordance with Listing Rule 10. Our report will be included in the Notice of Meeting ("**NOM**") sent to Non-Associated Shareholders in respect of the Proposed Transaction.

Further information regarding the purpose of this report is provided in Section 2 of our detailed report.

4. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- Assessed whether the Proposed Transaction is fair by comparing the fair market value of the financial benefit to be provided by HML to JBFG (being $1 as consideration for the Put Option and entering into the JBTH Exclusive Trading Agreement) to the financial benefit to be received by HML (being the value of the Put Option and the JBTH Convertible Note).
- Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of our detailed report.

5. The Proposed Transaction is fair

Summary

Our fairness assessment of the Proposed Transaction is summarised below.

Table 1: Fairness summary

Fairness summary		
$m	**Low**	**High**
Value of Put Option	20.4	26.1
Value of JBTH Convertible Note	9.1	10.0
Total financial benefit received by HML	**29.5**	**36.2**
Consideration for Put Option	-	-
Value foregone by entering Exclusive JBTH Trading Agreement	-	-
Total financial benefit provided by HML	**-**	**-**
Net financial benefit received by HML	**29.5**	**36.2**

Source: Leadenhall analysis
Note: Table subject to rounding

The calculations of each component are summarised below and full details are set in our detailed report.

Valuation of the Put Option

The Proposed Transaction grants a put option to HML to enter into the Potential JBFG and BRL Sale and receive the JBFG and BRL Consideration. There is nominal consideration of $1 payable to JBFG for granting of the Put Option. Since HML would only economically exercise the Put Option if it has positive value, the Put Option provides a significant benefit to HML.

We have estimated the value of the Put Option using a Black Scholes Option Pricing Model ("**BOPM**"). As part of this analysis we have considered the intrinsic value of the Put Option as at a current date by comparing the current fair market value of HML's interest in JBFG and BRL to the fair market value of the JBFG and BRL Consideration.

We have used the BOPM to estimate the fair market value of the Put Option using the following inputs:

- **Spot price**: represents the current fair market value of the underlying security subject to the option. In this instance, the spot price is represented by the value of HML's interest in JBFG and BRL. For the purpose of our analysis we have estimated the value of each of JBFG and BRL using a sum of the parts ("**SOTP**") analysis of each of the underlying businesses. We have also considered recent transactions in the shares of JBFG as well as HML's most recently audited carrying value of its investments in JBFG and BRL. Further details of our valuations are provided in Section 8 and Appendix 3 of our detailed report.
- **Exercise Price**: represents the value at which the option can be exercised. In this instance the exercise price is represented by our assessed value of the JBFG and BRL Consideration. If the Put Option is exercised, JBFG is obligated to provide a cash payment to HML of $67.2 million which we have utilised in determining the value of the Put Option. However, whilst this payment is secured over JBFG's interest in Crown Currency, there is a risk that the value of Crown Currency may not be sufficient to satisfy the full payment for exercising the Put Option as the JBFG and BRL Consideration is in excess of the mid-point of our assessed value of this business. This is partially mitigated by the ability to partially exercise the Put Option and that JBFG management expect that the existing store footprint will continue to grow which, if successfully executed, would likely result in further growth in the value of the business therefore the ability to exercise of the Put Option. To allow for the funding risks and the risk that the Put Option may only be partially exercised we have applied a discount to the value of the Put Option of 10% to 25%.
- **Term**: based on the terms of the Put Option being up to five years.
- **Risk free rate**: based on yield to maturity of Australian Government bonds over the option term.
- **Volatility**: market-based input having regard to volatilities observed for comparable companies.

The BOPM inputs and assessed value range using this approach are summarised in the table below:

Table 2: Assessed value of the Put Option

Assumption		Low	High
Spot price (current value of interests in JBFG and BRL)	$'m	43.4	39.6
Exercise price (Assessed Value of Consideration)	$'m	67.2	67.2
Life of option	years	5.0	5.0
Volatility	%	40%	40%
Risk-free rate	%	2.27%	2.27%
Discount for risks associated with security		25%	10%
Assessed Value of Put Option	$'m	**20.4**	**26.1**

Source: Leadenhall analysis

As set out above, there is significant value attributable to the Put Option, namely due to the significant intrinsic value as a result of the premium of the JBFG and BRL Consideration to our assessed value of HML's interest in JBFG and BRL. As a result, we note that none of the assumptions adopted in respect of the valuation of the Put Option would change our conclusion in respect of the Proposed Transaction.

Further details on the valuation of the Put Option are set out in Section 8 of our detailed report.

JBTH Exclusive Trading Agreement

HML currently executes all trades through JBTH and related entities. The JBTH Exclusive Trading Agreement formalises this relationship and commits HML to exclusively utilise JBTH to execute all trades for a period of five years. The agreement does not include any minimum or maximum volume requirements and fees charged to HML must be equal to or less than the average fee that would be charged by third party providers. The agreement also includes minimum service levels to be provided by JBTH, and termination rights for cause due to inadequate service levels, default of JBTH, etc.

Based on the terms of the JBTH Exclusive Trading Agreement, in particular the lack of specific volume commitments and linkage to market pricing (which is subject to annual review) the agreement appears to be representative of arm's length terms. We have therefore assessed the financial benefit provided by HML for entering the JBTH Exclusive Trading Agreement as nil.

Valuation of the JBTH Convertible Note

In estimating the value of the JBTH Convertible Notes we have separately valued the debt component and the option component. We have assessed a market yield for the debt component to be 10% to 12%. We have estimated the option component using the BOPM.

Conclusion

Based on the above analysis, we have determined that the Proposed Transaction is fair.

6. The Proposed Transaction is reasonable

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Non-Associated Shareholders of the Proposed Transaction.

Advantages

We have identified the following significant advantages to Non-Associated Shareholders of the Proposed Transaction:

- **Flexibility to consider alternate transactions in the future**: As the Proposed Transaction provides HML the option to sell its interest in JBFG and BRL, to the extent the outlook for these businesses improve, HML retains the flexibility to consider holding the investments over the longer term or to consider alternate transactions.
- **Pathway to reduce exposure to unlisted investments**: The Proposed Transaction is in line with HML's stated strategy to reduce its exposure to unlisted investments. Whilst the Proposed Transaction does not provide immediate liquidity there is a pathway to realise HML's stake in JBFG and BRL in their entirety.
- **Potential for distributions**: Coupon payments to be received from the JBTH Convertible Notes may provide additional yield for HML investors relative to existing investments in JBFG and BRL which are not anticipated to pay dividends in the near-term as profits are expected to be re-invested.
- **Potential for a re-rating of HML shares**: Whilst HML has not traded since June 2017, it is possible that when the trading suspension is lifted, the Proposed Transaction, if approved, may result in a re-rating of HML shares. In particular, the terms of the Proposed Transaction may allow investors to more readily attribute value to HML's unlisted investments.

Disadvantages

We have identified the following significant disadvantages to Non-Associated Shareholders of the Proposed Transaction:

- **Crystallisation of significant performance fees to JBL**: implementation of the Proposed Transaction will result in a material increase in the NTA of HML (based on the value of the Put Option and the JBTH Convertible Note) which will crystallise a performance fee payable to JBL which is estimated to be $7.5 million. Whilst this fee is determined based on the existing management agreement between HML and JBL, the Proposed Transaction will likely crystallise the fee without any proceeds from realising an investment. JBL have advised that they will defer payment of any performances fees until sufficient liquid assets are available within HML.
- **Risks associated with the redemption of the JBTH Convertible Note:** redemption of the JBTH Convertible Notes (rather than conversion into additional JBTH shares) is most consistent with HML's strategy of reducing its exposure to unlisted investments. However, funding of any redemption of these notes at maturity is subject to significant risks due to the early stage nature of the JBTH business and that JBTH intends to issue $13.5 million of similar instruments to another entity (and there are limited restrictions on JBTH issuing similar instruments in the future). Furthermore, it is envisaged that HML's security over certain assets of JBTH (namely Genesis) will be subordinated to the other convertible note holder. There is therefore a risk that JBTH will be unable to fund any redemption request for HML in the future.
- **Potential loss of upside from early stage businesses**: JBFG includes a number of early-stage businesses which have significant growth potential, namely JBTH, AssetChain and JBFX Wholesale. If the Proposed Transaction proceeds, and the Put Option is exercised, Non-Associated Shareholders would lose this exposure (except in the case of JBTH whereby HML may still participate in this potential through the JBTH Convertible Notes but on a diluted basis). Whilst our assessed value includes an element of this upside potential, some shareholders may have a more optimistic view of these businesses relative to our assessed value.
- **JBTH Exclusive Trading Agreement risks**: as market prices can vary depending on relationship factors and the specific volumes and types of trades undertaken, it is possible that HML could procure lower rates in the absence of the JBTH Exclusive Trading Agreement. However, this risk is mitigated by the annual review process to ensure that pricing is no worse than market rates.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

7. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Non-Associated Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

8. Chapter 2E considerations

Chapter 2E of the Corporations Act ("**Chapter 2E**") requires public companies and responsible entities of registered managed investment schemes to obtain member approval to provide a financial benefit to a related party, subject to certain exceptions.

We have prepared our report on the basis that JBFG, BRL, JBTH, Mr Stuart McAuliffe, Mr John McAuliffe, Mr Ross Patane and their associated entities by virtue of their directorships and shareholdings (direct and indirect) in JBFG are related parties for the purposes of Chapter 2E ("**Related Parties**").

"Financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes a public company paying money or issuing securities to the Related Party. In determining whether a financial benefit is being given, it is necessary to look to the economic and commercial substance of a transaction (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Accordingly, the Related Parties may receive the following financial benefits as a consequence of the Proposed Transaction:

- Any financial benefits flowing to JBFG as a consequence of the Proposed Transaction by virtue of their shareholding in JBFG. This includes entering into the JBTH Exclusive Trading Agreement and receipt of the Put Option fee.
- JBL may receive additional performance fees of approximately $7.5 million to the extent that the Proposed Transaction results in an increase in HML's net assets. This has been calculated based on the terms of the existing management agreement between HML and JBL.

As set out above we have estimated the fair market value of the Put Option and the JBTH Exclusive Trading Agreement which results in a net financial benefit to HML.

Yours faithfully

Dave Pearson **Director**	Richard Norris **Director**

Notes:

1. *All amounts stated in this report are in Australian dollars unless otherwise stated.*
2. *Tables in this report may not add due to rounding.*

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

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FINANCIAL SERVICES GUIDE

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Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

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We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

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Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("**FOS**"). The FOS will then be able to advise you as to whether they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

[6] August 2018

CONTENTS

1 THE PROPOSED TRANSACTION

1.1 Background

HML is a LIC with a strategy to take advantage of imbalances in global market valuations through the active management of investments, predominantly in global exchange traded futures contracts including equity market indices, fixed income, currencies, commodities and fixed income futures.

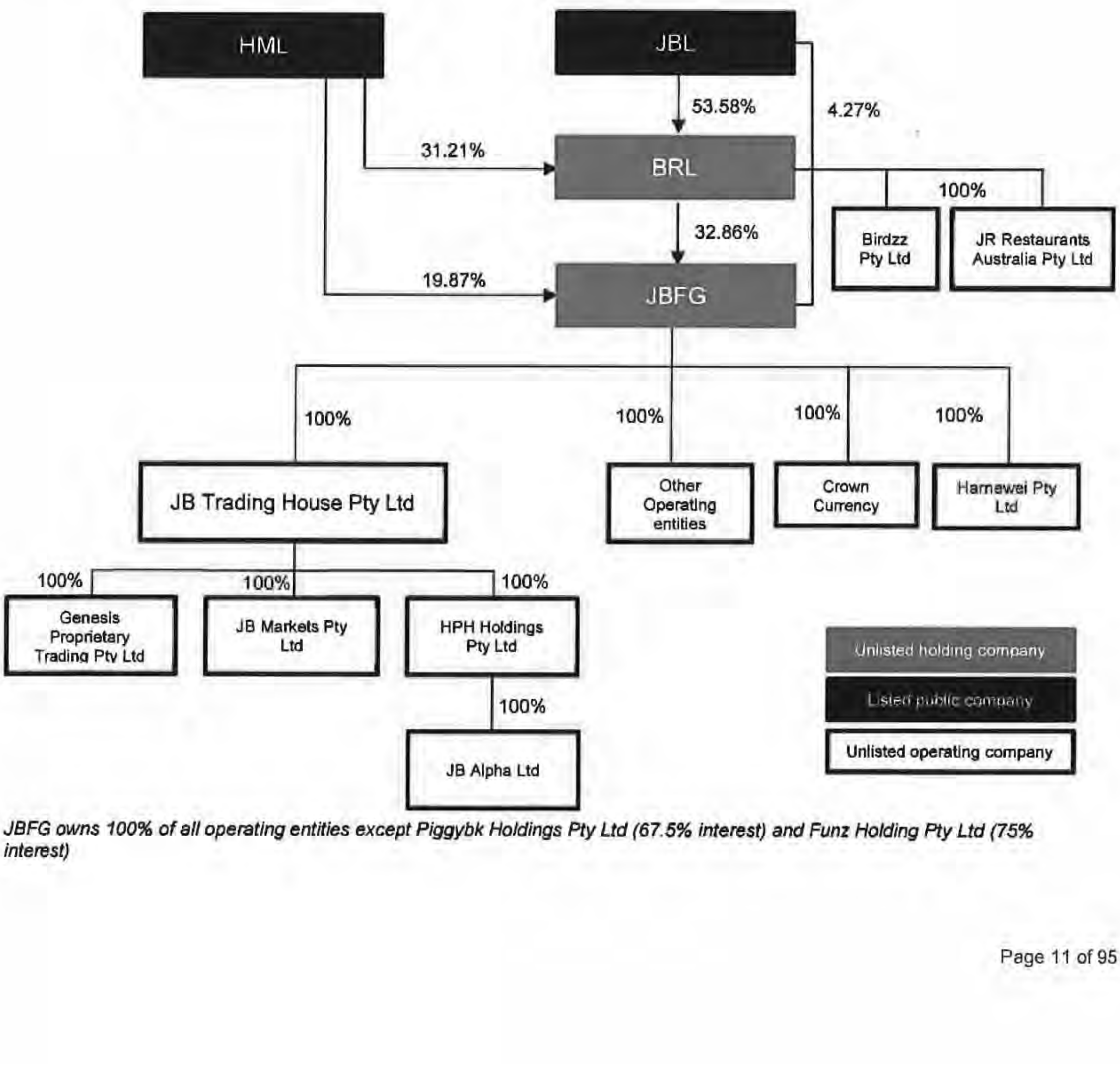
HML also has investments in listed equities and unlisted securities which include a 19.9% interest in JBFG, an early stage financial services conglomerate (discussed in further detail below), as well as a 31.2% interest in BRL, an unlisted investment company whose main investment is a 32.9% interest in JBFG. BRL also owns the exclusive rights to the 'Johnny Rockets' and 'Wingstop' fast food franchises in Australia and New Zealand.

The investments of HML and BRL are managed by JBL, an investment manager focused on investing in global markets. JBL also has a direct investment in JBFG.

JBFG is an early-stage financial services company with businesses including retail and wholesale foreign exchange dealing, specialist derivatives broking, proprietary trading, mercantile agency and investigation services, credit financing, and a growing FinTech division. The retail foreign currency business is operated through a 100% subsidiary, Crown Currency, that is a highly profitable and successful foreign currency platform in Queensland, New South Wales, ACT and Victoria with plans to expand into Tasmania, South Australia and Western Australia. The broking business of JBFG, JBTH, was established to leverage the significant scale provided by the trading volumes undertaken by JBL on behalf of its clients.

The current structure of HML, JBL and related entities are summarised in the diagram below.

Figure 1: Group structure diagram



1. *JBFG owns 100% of all operating entities except Piggybk Holdings Pty Ltd (67.5% interest) and Funz Holding Pty Ltd (75% interest)*

Whilst HML is listed, since June 2017 it has been suspended from trading. A stop order was issued by ASIC in respect to the issuance of a prospectus for a bonus option issue at the time. Over the course of May 2017 to February 2018, HML and JBL were in negotiations regarding a potential transaction involving the sale HML's interest in JBFG to JBL. Whilst we understand that there was significant negotiation of the pricing of the transaction, other commercial terms remained outstanding. As a result, HML considered other alternative transactions.

As part of the process to evaluate alternate transactions, HML and JBFG entered into negotiations to evaluate options for HML to realise its investment in JBFG. This has culminated in HML and JBFG entering into the IPOA whereby JBFG would, subject to the approval of Non-Associated Shareholders, grant a put option to HML in relation to the shares in JBFG and BRL held by HML in return for $67.2 million cash. As security for the future payment of the JBFG and BRL Consideration, if the Put Option Transaction is approved, JBFG will grant HML specific security in respect of the all shares in Kings Currency and related entities.

The Put Option may be exercised by HML after the earlier of ("**Put Option Exercise Period**"):

- The date of a liquidity event of JBFG which includes a capital or debt raising by any means whatsoever which results in JBFG receiving cash equal to or in excess of the JBFG and BRL Consideration.
- 24 months after the date of Grant of the Put Option ("**Put Option Grant Date**").

The Put Option will expire 5 years after completion of the Proposed Transaction.

As part of the IPOA, HML has, subject to the approval of Non-Associated Shareholders of HML, agreed to enter into an exclusive trading agreement with JBTH whereby, subject to certain protections for HML as summarised below, JBTH would execute all trades involving derivatives, forward contracts and contracts for difference, at no worse than market rates on behalf of HML on an exclusive basis for a five-year period.

In exchange for entering into the JBTH Exclusive Trading Agreement, JBFG has agreed to grant to HML a convertible note issued by JBTH with a face value of $12 million with interest paid at 4.1% per annum. Within four years from completion of the Proposed Transaction HML may elect to redeem the JBTH Convertible Note and receive either:

- The face value in cash payable in 12 equal monthly instalments.
- Shares of JBTH at a 40% discount to any agreed IPO price (if applicable).
- A minimum of 16.856% of the total equity of JBTH at any time.

As security for the future payment of the face value of the JBTH Convertible Notes and ongoing interest obligations to HML, JBTH will grant HML general security over all of JBTH's existing and future assets in accordance with a general security deed to be entered into by the parties ("**General Security Deed**"). As a similar exclusive trading agreement is intended to be entered into by JBTH with Benjamin Hornigold Limited ("**BHD**"), another LIC managed by JBL, BHD, HML and JBFG/JBTH have entered into an agreement to regulate the respective interests in JBTH of BHD and HML ("**Pari Passu Deed**").

Further details of the Specific Security Deed, the General Security Deed, the Pari Passu Deed and the terms of the JBTH Convertible Notes and JBTH Exclusive Trading Agreement are set out in Annexure D of the NOM.

We have defined the issue of the Put Option, entering into the JBTH Exclusive Trading Agreement and granting of the JBTH convertible note as the Proposed Transaction.

1.2 Impact if Proposed Transaction is approved

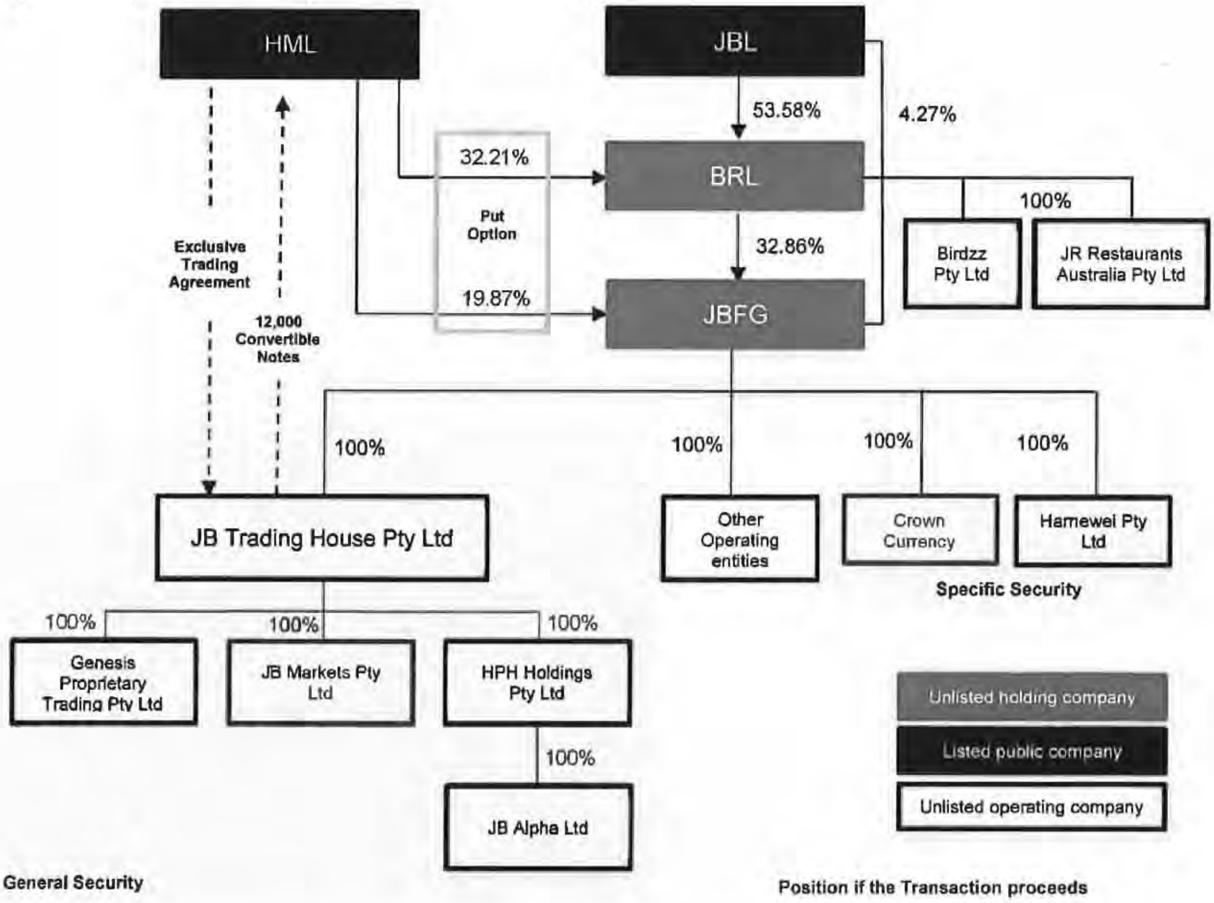
If the Proposed Transaction is approved by Non-Associated Shareholders:

- HML will pay the Put Option Fee of $1.00 to JBFG and JBFG will grant HML the Put Option over the JBFG Shares and the BRL Shares.
- JBFG will grant HML specific security over its current and future interest in Crown Currency and related entities pursuant to the Specific Security Deed
- HML and JBTH will enter into the JBTH Exclusive Trading Arrangement. JBTH will issue HML the JBTH Convertible Notes.

Approval of the Proposed Transaction will not necessarily result in HML entering into the Potential JBFG and BRL Sale nor oblige JBFG to provide to HML the JBFG and BRL Consideration. HML will require the approval of the HML board, and potentially HML shareholders prior to exercising the Put Option.

A summary of the impact on HML if the Proposed Transaction is approved is set out in the figure below:

Figure 2: Impact if the Proposed Transaction is approved



1.3 Other relevant terms of the IPOA

Other relevant terms of the IPOA include:

- The total consideration payable to HML pursuant to the IPOA in the event that the Put Option is exercised is $79.16 million ("**Aggregate Consideration**"). However, the cash payment to HML upon exercise of the JBTH Convertible Notes is reduced by the face value of the JBTH Convertible Notes (and no obligation for further consideration to HML is required for the JBFG and BRL stakes) provided that:
  - HML has or will receive cash equivalent to $67.16 million ("**Cash Threshold**")
  - JBFG and JBTH are in compliance with the IPOA and the Convertible Note Subscription Agreement
- Upon the exercise of the Put Option, HML may sell the JBFG Shares and BRL Shares, either in whole or in tranches.
- As the mechanism to enact the sale of the JBFG shares if the Put Option is exercised is a buy back by JBFG, to the extent that BRL controls JBFG at the time of the transaction, further approvals may be required in order to effect the exercise of the Put Option.

1.4 Key terms of JBTH Exclusive Trading Agreement

Other relevant terms of the JBTH Exclusive Trading Agreement include:

- HML agrees that for the duration of the agreement (5 years from the grant of the Put Option unless terminated) it will execute all derivatives, forward contracts and contracts for difference trades through any one or more of the JBTH Parties.
- Fees charged to HML must be equal to or less than "Market Rates" which represents the average fee that would be charged by third party entities whose ordinary business includes the execution of trades involving derivatives, forward contracts, contracts for difference and any other financial products in executing such a trade. These fees will be reviewed annually to ensure HML is being charged fees that are equal or less than market rates.
- During the term of the agreement, HML agrees to not to directly or indirectly (without the prior written consent of JBTH) enter into similar arrangements with other providers.
- JBTH will provide minimum service standards which will include minimum service levels in respect of execution services, trading system access, confirmation and reporting, regulation, client segregation, confidentiality, staffing and dispute resolution ("**Minimum Service Standards**").
- The agreement can be terminated in the following circumstances:
  - An event of default (such as insolvency, etc, as defined in the Convertible Note Deed) is triggered by JBTH.
  - JBTH fails to meet the Minimum Service Standards for one or more client agreements.
  - JBTH commits a material breach of a fundamental term of any of the transaction documents that has a material and adverse effect on HML and is incapable of remedy or is not reasonably remedied within ten business days of the breach.
  - JBTH ceases to hold such licences, permits, registrations and insurances as are required under any state, territory or Commonwealth legislation or regulation to carry out any work under the Exclusive Trading Deed or any client agreements.
  - Either party commits a material breach of a fundamental term of the agreement that has a material and adverse effect and is incapable of remedy or is not reasonably remedied within ten business days of the breach first occurring.
  - An insolvency type event occurs in respect of a party to the agreement.
  - A change of control occurs in respect of a party without the consent of the other parties.

2 SCOPE

2.1 Purpose of the report

2.1.1 ASX Listing Rule 10

ASX Listing Rule 10 requires a listed entity to obtain shareholders' approval before it acquires a substantial asset from a related party. The NOM sent to shareholders advising them of such a transaction must include a report from an independent expert stating whether the transaction is fair and reasonable to the shareholders.

An asset is substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX. In the case of an acquisition of an option, Listing Rule 10 defines the consideration as the total of the issue price of the option and its exercise price.

Due to the existence of common directors between HML and JBL as well as the significant interest in JBFG held collectively by HML, BRL and JBL, we have prepared our report on the basis that the Proposed Transaction is subject to ASX Listing Rule 10. Furthermore, the face value of the JBTH Convertible Notes and the value of the Put Option (individually and in total) are greater than 5% of the most recently reported net assets of HML and will therefore represent a substantial asset of HML.

An Independent Expert's Report is therefore being commissioned by HML to assess whether the Proposed Transaction is fair and reasonable to HML's shareholders not associated with JBFG in accordance with Listing Rule 10.

The independent directors of HML have therefore requested Leadenhall to prepare an IER in accordance with Listing Rule 10 advising whether, in our opinion, the Proposed Transaction is fair and reasonable to Non-Associated Shareholders. This report is to accompany the NOM to be sent to shareholders of HML in order to assist the Non-Associated Shareholders in their consideration of the Proposed Transaction.

2.1.2 Chapter 2E

Chapter 2E requires public companies and responsible entities of registered managed investment schemes to obtain member approval to provide a financial benefit to a related party, subject to certain exceptions.

We have prepared our report on the basis that JBFG, BRL, JBTH, Mr Stuart McAuliffe, Mr John McAuliffe, Mr Ross Patane and their associated entities by virtue of their directorships and shareholdings (direct and indirect) in JBFG are related parties for the purposes of Chapter 2E.

"Financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes a public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance of a transaction (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

In accordance with Chapter 2E we have estimated the value of the financial benefit(s) provided to the related parties.

2.2 Basis of evaluation

Introduction

As the JBTH Excusive Trading Agreements (and associated issuance of the JBTH Convertible Notes) and the grant of the Put Option are interdependent, we have evaluated the Proposed Transaction as a whole

The ASX Listing Rules do not define the term 'fair and reasonable' and provide no guidance on what should be considered when assessing whether a proposed transaction is fair and reasonable. However, guidance on what an independent expert should consider and how 'fair and reasonable' should be defined is contained in Regulatory Guide 111: Content of Expert Reports ("**RG 111**") which states that there should be separate assessment of whether a related party transaction covered by Listing Rule 10 is 'fair' and whether it is 'reasonable'. Accordingly, we have considered the concepts of "fairness" and "reasonableness" separately as described below.

Fairness

According to RG 111.57 '*a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity*'. We have therefore assessed whether the Proposed Transaction is fair by comparing the fair market value of the financial benefit to be provided by HML to JBFG (being the Put Option grant price of $1.00 and any value foregone by HML in entering the JBTH Exclusive Trading Agreement) to the financial benefit to be received by HML (being the fair market value of the Put Option and the JBTH Convertible Note).

For the purpose of our assessment we have utilised the concept of fair market value, which is defined by the International Glossary of Business Valuation Terms as:

> *The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*

We consider this to be consistent with the basis of value contained in RG 111.57 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Our assessed values do not include any special value in accordance with RG 111.

Reasonableness

In accordance with RG 111, we have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, Leadenhall believes that there are sufficient reasons for Non-Associated Shareholders to vote in favour of the proposal. We have therefore considered whether the advantages to Non-Associated Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG 111.62:

- The impact of the transaction on the financial situation and solvency of HML.
- Opportunity costs.
- The alternative options available to HML and the likelihood of those options occurring.
- The bargaining position of HML.
- Whether there is selective treatment of any security holder, particularly any related party.
- Any special value of the transaction to HML.
- Impact of the JBTH Exclusive Trading Agreement on the operations of HML.

We have also considered the other significant advantages and disadvantages to Non-Associated Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

3 INDUSTRY ANALYSIS

3.1 Introduction and summary

JBFG has a number of businesses each of which has different operations, although all broadly relate to service delivery, particularly financial services. As noted above, HML is a listed investment company that in addition to funds managed by JBL also has a substantial investment in JBFG which operates a number of unlisted businesses. The industry analysis below focuses on the key industries in which JBFG's investee companies operate which are:

- **Foreign exchange retailing and wholesale:** JBFG participates in foreign exchange retailing through its investment in Crown Currency. More recently, JBFG acquired the foreign exchange wholesale operations of American Express.
- **Securities brokerage and trading:** through a mix of internal development and acquisition JBFG has built a substantial securities brokerage and trading business over the last two years.
- **Mercantile agency business:** over the last two years JBFG has acquired a number of businesses operating in the mercantile agency industry predominantly providing field audit, repossession and recovery services.

JBFG also has investments in some smaller businesses operating in the fintech and credit services industries and HML also has an investment in BRL, an unlisted investment company, that holds investments in two food and beverage franchising businesses. However, as these businesses are relatively small, a detailed industry analysis is not set out in this report. Further information about all of the unlisted investments of JBFG and BRL is provided in sections 5 and 6 below.

3.2 FX retailing and wholesaling

3.2.1 Overview and trends

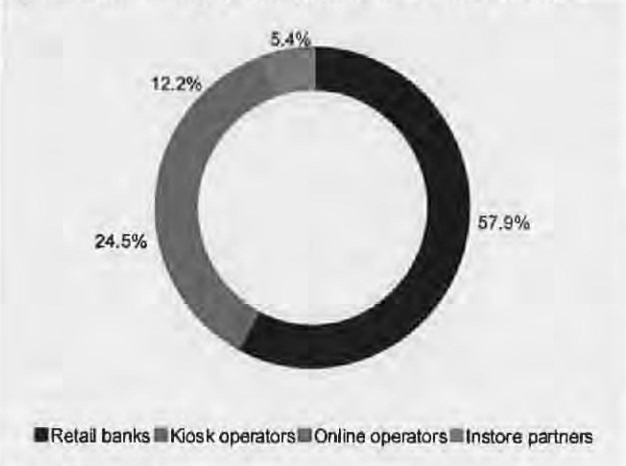
Foreign exchange retailers assist customers through providing currency exchange services. FX retailers derive profit from the margin between the price they buy and sell each currency. Some retailers also charge transactions fees and provide other services such as international money transfers, etc. Demand for foreign currency exchange services in Australia has experienced strong growth over the past five years. This growth has been largely underpinned by rising volumes of inbound and outbound travel as this drives demand for foreign currency. Significant depreciation of the Australian dollar over the same period has also aided industry growth by making Australia a more affordable destination for inbound passengers and students undertaking tertiary study.

Industry profitability has declined over the past five years, despite an increase in total volumes. This decline in profitability is largely attributed to competition from online platforms which has forced industry participants to decrease fees/spreads to stay competitive. The level of participation in the industry has increased over the past five years, largely due to the number of post offices offering foreign exchange services.

3.2.2 Level of competition

There is a high level of competition within the industry, which is largely based on the quoted rates of exchange and the spread offered by industry participants. The key market participants and their projected share of FY18 industry revenue is set out in the graph below:

Figure 3: Industry participants and FY18 revenue



Source: IBISWorld

Retail Banks: command a little over half the market largely due to their vast branch network and established relationships with customers. Despite this, their percentage of industry revenue has declined over the past five years due to a lack of innovation and increasing competition. This segment is expected to continue to fall as a share of industry revenue as this is a non-core segment for banks.

Kiosk operations: kiosks located at airports and inner-city locations have benefited from consumers' need for convenience. Due to increased tourism levels over the past five years, this segment has grown as a share of industry revenue.

Online operators: represent the fastest growing industry segment. Growth has been driven by the convenience of online currency orders. This segment is expected to continue to grow as technological advances offer consumers more secure and efficient online transactions.

In-store partners: these operators include kiosks and other service providers located at associated partner organisations e.g. Travelex kiosks located at Australia Post branches. This segment is relatively small and its share of industry revenue has remained relatively stable over the past five years.

Independent kiosks tend to have slightly more volatile spreads than banks and other financial institutions. This is due to the need to offset dedicated labour costs and the substantial cost of rent in high traffic locations. The major commercial banks are also better positioned to attract the business of their existing customers due to their substantial brand recognition and preference of some customers to conduct all of their financial activities with the one financial institution. However, due to the relatively low turnover and holding costs with some currencies, coupled with the non-core nature and perceived operational risks associated with this activity for banks, we understand that many branches refer substantial currency conversion volumes to third parties.

Other than the major banks, the key players in the Australian market are:

Table 3: Key players in Australian Retail Foreign Exchange Industry

Name	Brief description
Travelex Limited	Travelex's ultimate parent is the British Virgin Islands based BRS Venture Group. In Australia, Travelex operates over 110 foreign exchange kiosks, with locations in each state and territory, as well as offering online foreign exchange services. Kiosks are predominantly located in high foot traffic locations in major shopping centres as well as eight airport locations.
Travel Money Oz	Travel Money Oz is a wholly owned subsidiary of listed travel services company Flight Centre. Travel Money Oz has over 130 locations in Australia, covering each state and territory, and has recently expanded into New Zealand. Travel Money Oz kiosks are predominantly situated in shopping centre locations within major metropolitan and regional centres across Australia.
Crown Currency	Crown Currency is the third largest specialist foreign exchange dealer with 28 stores across the east coast of Australia. Crown Currency kiosks are predominantly situated in suburban shopping centre locations within major capital cities.

Source: IBISWorld and Leadenhall analysis

There are also a number of online foreign exchange providers. These businesses usually require minimum exchange amounts and generally target foreign currency transfers rather than cash exchange, although some do have a small number of physical locations where currency ordered online can be collected. Most of physical exchanges also provide services where foreign currency can be pre-ordered and collected in store.

Prior to June 2017, American Express operated 64 foreign exchange kiosks throughout NSW, QLD, Victoria, WA, ACT and NT. American Express has now exited the foreign exchange market in Australia to focus on their core credit card business.

3.2.3 Key drivers

The key external factors driving industry participant performance are summarised below:

- **International travel to Australia:** people travelling to Australia for holidays or business require services to exchange currency during their stay. This is generally influenced by economic conditions in the traveller's home country and the relative exchange rates. The number of people travelling to Australia is expected to increase in by 5.8% per annum over the period FY17 to FY27 according to Austrade[1].
- **International travel by Australians:** overseas travel by Australians creates demand for industry services. The number of Australians travelling overseas is expected to increase by 3.9% per annum over the period FY17 to FY27 according to Austrade[2].
- **Number of foreign students:** international students need to exchange foreign currency into Australian dollars. Their sources of income are usually from overseas and they need domestic currency to support themselves while studying. The number of foreign students is expected to increase in FY18 according to IBISWorld.
- **Net migration:** a higher number of immigrants leads to a higher volume of currency exchange as money is sent between Australia and the migrants' country of origin. Net migration is expected to increase in FY18 according to IBISWorld.
- **Trade weighted index:** the trade-weighted index measures the strength of the Australian dollar relative to a group of currencies Australia most commonly trades with. A stronger index indicates a higher Australian dollar. An unusually strong Australian dollar generally deters tourists and international students but make overseas travel for Australians more attractive. The trade-weighted index is expected to decrease in FY18 according to IBISWorld.

Successful operators in the industry focus on the following internal factors to drive performance:

- **Stock control:** participants that deal with physical exchange of currencies need to ensure they have sufficient supply of currencies to meet demand from consumers. These are often sourced from wholesalers which include Travelex and American Express Wholesale (now part of JBFG).
- **Market reputation:** operators that have a good reputation for timely quotes and competitive spreads, are more likely to attract new and return customers.
- **Proximity to key markets:** proximity to key market participants, inbound and outbound passengers, will boost turnover.
- Management of exchange rate risk: most industry participants are unable to be self sufficient (i.e. buy as much currency as they sell or vice versa) and as such must ensure they adequately manage the purchase expenses, usually via foreign exchange hedging. For example, post the announcement of Brexit, a number of retailers absorbed significant losses on GBP due to the rapid devaluation at the time. Ensuring high stock turnover assists in insulating against large exposures to individual currencies for a period of time. Outlook

Over the five years to FY18, industry revenue is expected to grow at an annualised 4.5% to reach $1.7 billion. IBISWorld forecasts current year revenue growth to be 3.1%, with medium term growth of 2.7% per annum over the next five years as set out below.

[1] *Tourism Research Australia, Tourism Forecasts 2017*
[2] *Ibid*

Figure 4: Forecast Growth Australian Retail Foreign Exchange Industry

Source: IBISWorld

Medium term growth is expected to be supported by growth in inbound and outbound tourism and an increase in net migration largely from skilled foreign workers. However, the forecast slowdown in growth compared to the previous five years can be attributed to an anticipated slower rise in the forecast number of foreign students entering Australia. Whilst revenue is expected to rise over the next five years due to transaction volume growth, increasing competition, rising capital intensity due to increased investment in technology platforms and rising wages are expected to dampen profit growth.

3.3 Broking / trading

3.3.1 Overview and trends

JBFG primarily operates in specialist derivatives broking and trading with limited exposure to traditional equities. We have therefore presented a brief overview of the broad broking and trading sectors in Australia with specific comments on JBFG's segments where available.

Participants in the securities brokerage industry buy and sell stocks or other securities on behalf of clients through a stock exchange or over the counter. The securities brokerage industry in Australia has faced a number of challenges over the past five years which have hampered growth. Compliance costs and increasing competition from online trading platforms have weighed on the performance of traditional stockbrokers, despite higher overall trading volumes. Total industry revenue, including investment banking revenue, is expected to increase at an annualised 8.9% per annum over the five years to FY18. However, most of this growth is attributable to investment banking due to several large IPO's during the period.

3.3.2 Level of competition

Competition in the industry as a whole is increasing particularly through the addition of online securities brokers. These providers are targeting traders with low account balances who do not require full service offerings and are capitalising on the rising trend to invest in index products as active investment managers are increasingly struggling to outperform indices sufficiently to justify their management fees.

The underwriting market is dominated by large institutional stockbroking houses or investment banks that have significant domestic and offshore networks to distribute securities. Investment banks maintain their market share by establishing strong business relationships with key clients. New boutique investment banks, generally established by former executives of major investment banks, have also become a strong source of competition over the past five years.

The industry is characterised by high barriers to entry which include licensing and capital requirements. Institutional broking is dominated by large investment banks that offer a range of additional services such as corporate advisory and wealth management to complement trading services as well as the capacity to handle a large volume of trades. Retail customers often use online platforms linked to financial institutions due to a desire to aggregate the finances with one provider.

Investment banking and broking are global industries. Many investment banks and brokerage companies have a global network to facilitate greater coverage of global markets. The Australian operations of foreign-owned investment banks and stockbroking firms account for a large share of industry revenue. A growing interest from Asian investors is likely to drive industry globalisation over the next ten years.

As a boutique provider of relatively specialised services, JBFG's broking division does not compete with traditional broking businesses that predominantly trade in equities. Since the collapse of MF Global in 2011 the only other firms that have similar offerings to the JBFG broking division are Bell Potter and Macquarie Bank.

3.3.3 Key drivers

The key external factors driving industry participant performance are summarised below:

- **Trading volumes:** higher absolute commissions from growth in trading volumes boost broker revenue. Higher stock market trading volumes are often accompanied by higher trading volumes in a range of other financial instruments, including over the counter trading.
- **Client relationships**: for boutique brokers such as JBFG, securing clients that trade large volumes of derivatives (such as hedge funds and quant-focused investors) is critical. Securing these clients can be a result of a number of factors including personal relationships, overall service offering and access to systems.
- **Market indexes and volatility:** rising markets and/or rising levels of volatility typically increase trading volumes as investors look to either capitalise on positive returns, cover positions or reallocate amongst asset classes. Variability in global macro factors (such as interest rates and currencies) generally results in increased volumes for JBFG.
- **Cash rate:** as interest rates decline, financial market activity generally picks up as businesses seek out higher returns and market participants capitalise on the lower cost of borrowing.
- **Level of international trade:** companies that generate revenue or liabilities in multiple currencies are often exposed to exchange rate risks and use derivatives instruments to hedge against movements. Increased international trade results in higher volumes of hedging transactions.

Successful operators in the industry focus on the following internal factors to drive performance:

- **Market research and understanding:** brokers that publish quality securities research or other information for their clients will encourage more investors to choose them as their primary trading brokers.
- **High market profile:** having a targeted marketing strategy and good relationships with industry experts and large clients is important when seeking to attract new business.
- **Reputation:** firms that have a sound reputation for company research and customer service, as well as a strong brand name, are better placed to generate new business.
- **24 hour availability and skilled execution:** sophisticated clients require firms that have highly skilled execution teams, operating on a 24 hour basis, focussed on reducing slippage and maximising performance for clients.

3.3.4 Outlook

A forecast increase in business confidence will likely assist industry operators over the next five years, with share market trade volumes forecast to almost double over the period. However, increasing competition, particularly from online securities brokers, is likely to offset growth from higher volumes to a large degree. New technologies are expected to continue altering brokerage firm operations, with more retail clients placing trades through online channels. Significant consolidation among brokerage firms is expected over the next five years as industry participants focus on the benefits of scale provided by technological advancements. This is anticipated to cause a decline in industry employment.

Overall, industry revenue (including investment banking) is forecast to grow at an annualised 2.9% per annum over the five years to FY23.

The general trend to more passive investing through exchange traded funds (which often use derivatives to simulate the returns of a particular index or asset class) and increased investor access to a broad range of asset classes in addition to equities should positively impact volumes for derivatives broking and trading.

3.4 Mercantile Agency Industry

3.4.1 Overview and trends

The mercantile agency industry covers a number of inter-related fields including:

- **Debt collection:** collection of debts on behalf of clients in return for a fee. Some debt collection agencies also purchase debt 'books' where they become the legal owner of the debt.
- **Investigations:** private investigation services generally in relation to background checks, investigative due diligence, surveillance, general investigations and locating persons of interest.
- **Process serving:** some legal documents are required to be served on the recipient in person. A process server is responsible for this process and ensuring documents are served in the required manner.
- **Repossession:** repossession of goods on behalf of a financier where the borrower has defaulted on their debt.

The key drivers of each of these industry activities are similar and industry participants often provide a number of different services. While our industry analysis focuses on the debt collection and investigations fields, there are many similarities across the entire mercantile agency industry.

The debt collection industry typically thrives when the economy is weak as this can lead to households defaulting on loans and a rise in business bankruptcies. The industry has displayed solid growth over the past five years primarily due to a rise in unemployment along with an increase in household debt to assets ratio. In addition, an increasing number of government agencies have outsourced their debt collection activities over the past five years. These factors have contributed to expected revenue growth of 4.6% per annum over the five years to FY18. Solid performance is expected to continue over the next five years as households continue to accumulate debt and innovation leads to new service offerings. As a result, revenue is expected to increase at 2.9% per annum over the five years to FY23.

The investigation and private security services industry is expected to grow moderately, at 1.6% per annum, over the five years to FY18. Despite lower crime rates, demand for industry services has increased due to heightened fear of terrorism and increasing instances of cybercrime. Increasing concerns around privacy breaches is a key issue for the investigations field which requires increased vigilance to ensure industry guidelines are followed when conducting investigations. In addition, there is a trend towards outsourcing of investigative work which is expected to continue and contribute to a forecast increase in industry revenue of 1.5% per annum over the five years to FY23.

3.4.2 Level of competition

The mercantile agency industry, including debt collection and investigation, is largely comprised of many small and medium enterprises that often subcontract to larger more diversified companies. Competition within the industry is intense and is focused on price and service. Whilst price is a strong driver for customers, given the nature of the industry and the reputation risk to industry customers, the level of service is extremely important. Historically some industry participants have been accused of using unethical practices and as such customers value the use of ethical methods as well as high success rates.

There are limited barriers to entry for the mercantile agency business. However, relationships with referrers are critical to the success of any business in the industry and it can be difficult to attract customers away from existing providers whilst maintaining profit margins. In addition, the provision of high quality mercantile agency services is dependent upon developing an adequately skilled workforce as many aspects of the services cannot be automated.

The mercantile agency industry is characterised by a large number of small to medium businesses that specialise in one or two services. A summary of some of the larger more diversified industry players is set out below:

Name	Brief description
Wise McGrath	Wise McGrath is a subsidiary of Wise Group Solutions that provides customers with process serving, repossession, field call, skip tracing, legal support and investigation services. Wise McGrath has a national support network that provides services across Australia.
Access Mercantile	Access Mercantile is a national agency that was established in 1990. Access Mercantile provides collection/repossession, skip/location and processing services.
Brookmost Process and Recoveries	Brookmost is a national commercial mercantile agency that is particularly prominent in in the Melbourne market. Brookmost provides field call, process serving and repossession services.

In addition to the above there are a number of large companies such as Dun & Bradstreet and Collection House that provide debt recovery services. However, the rest of their service offerings are outside the scope of the mercantile agency industry.

3.4.3 Key drivers

Some of the key external factors that influence industry performance are:

- **Unemployment rate:** higher unemployment generally signals weaker economic conditions which can increase the levels of debt and defaults.
- **Household debt to asset ratio:** high household debt, particularly for smaller personal loans, increases the scope for industry services.
- **Business bankruptcies:** the number of business bankruptcies gives an indication of the number of businesses under financial distress. A higher number of businesses in distress will benefit the industry.

Successful operators in the industry focus on the following internal factors to drive performance:

- **Relationship development and management:** developing and maintaining relationships with large referrers is critical to the success of businesses in the industry to ensure employees are fully utilised.
- **Access to a skilled workforce:** most aspects of mercantile agency services require training and licensing. Delivering high quality service is crucial to customers and there is a heavy focus on regulatory compliance.
- **Reputation:** due to the nature of the information handled, the high profile of large clients and the regulations surrounding industry activities, it is important to maintain a good reputation for delivering quality customer service whilst operating within industry guidelines.

3.4.4 Outlook

There is positive growth potential for the medium term, particularly as interest rates begin to rise again as is expected. Australia has high debt to asset ratios and as interest rates rise the number of people unable to meet their debt obligations is also likely to rise, some aspects of the industry, such as investigations, are affected by these factors to a lesser extent and as such growth is expected to be lower for these sectors.

4 PROFILE OF HML

4.1 Background and history

HML is an investment company that was listed on the ASX in February 2016. HML's investment portfolio is managed by JBL and is focused on investing in global markets primarily through exchange traded futures contracts, including equity market indices, fixed income, currencies and commodities. HML also has a number of unlisted investments primarily through their shareholdings in JBFG (5,350,000 share acquired for approximately $6.3 million between August and December 2016) and BRL (1,497,616 shares acquired for approximately $4.3 million between October 2016 and May 2017). BRL also owns a significant stake in JBFG (32.86%). HML also has a 0.22% interest in JBL (which has a 4.4% interest in JBFG. Since HML made its investment in JBFG, JBFG has acquired a variety of financial services businesses as detailed in Section 5.

4.2 Overview of operations

As a listed investment company HML's primary operations relate to investment of funds raised from equity investors and generating positive absolute returns with low correlation to market returns, over the medium to long term. HML has engaged JBL, an investment manager listed on the National Stock Exchange of Australia, to manage its investments. JBL has three directors in common with HML and also acts as investment manager to BRL and BHD, another ASX listed investment company which has one director in common with HML. The managing director of JBL is Stuart McAuliffe who is also the managing director of HML.

The key terms of the investment management agreement between HML and JBL are as follows:

- The primary services provided by JBL are investment management services in accordance with the approved investments (includes trading in global markets, unlisted securities, taking/giving of options, discount or purchase of bills of exchange, deposits in the short-term money market and debt instruments). Under the original management agreement, investments in unlisted securities were not to exceed 10% of the value of the portfolio. This restriction on the percentage of unlisted investments was removed after approval was granted by shareholders in October 2016.
- JBL also provides office services, corporate support and information technology support services. At the election of the investment manager, they may also provide financial accounting and company secretarial services to HML.
- JBL is the exclusive provider of investment management services to HML during the five-year term of the agreement. After the initial term, the agreement may be extended if approved by both parties.
- The agreement will be terminated in the event either party ceases to carry on a business or enters any form of insolvency. Either party may terminate the agreement immediately in the event of a material and substantial breach of the agreement by the other party that is not remedied within 14 days of notice in respect of a breach by the manager and three months' notice in respect of a breach by HML. If the agreement is terminated for any other reason, JBL is entitled to a termination payment.
- Material variations to the agreement require the written consent of JBL and the approval of HML shareholders.
- JBL is paid a management fee of 2.0% per annum (plus GST) calculated and paid monthly in arrears based on the net tangible assets of HML and a performance fee paid quarterly in arrears equal to 23% of the investment return at the end of the last day of the relevant quarter.

4.3 Key personnel

The current directors and senior management team of HML comprise:

Table 4: HML Key Personnel

Name	Background
John McAuliffe **(Chairman)**	John was appointed Chairman in March 2015. John was a senior public servant in the federal government until 2000 and was previously the Chairman of the Holy Spirit Hospital and Mater Health Services in Brisbane. He currently serves as Chairman of Brisbane Housing Company, Multicap, Catholic Property and Freedom Aged Care and is a director of Holy Cross Laundry and Lady Bowen Trust. John is a part-time senior lecturer at the Queensland University of Technology for Land Valuation, Investment Theory and Land Studies in the Built Environment and the Surveying School.
Stuart McAuliffe **(Managing Director)**	Stuart was appointed Managing Director in January 2015. He has over 25 years' experience investing in global equity, bond, currency and commodity markets. Stuart was formerly an Associate Professor at Bond University and has lectured nationally and internationally in the fields of economic forecasting, valuation modelling, financial structures and risk management.
Ross Patane **(Non-executive director)**	Ross Patane was appointed as a director in March 2015. He is a chartered accountant with more than 25 years' experience in providing business reconstruction, asset securitisation, corporate advisory, property advisory and wealth management service. Ross is currently Senior Partner of the Queensland Crowe Horwath team.
Peter Ziegler **(Non-executive director)**	Peter holds honours degrees in commerce and law and a Master's degree in financial management. He is a chartered accountant, chartered tax advisor and solicitor. Peter is an experienced company director and has previously been a partner at Ernst & Young. Peter was formerly the Chairman of Australian Pacific Coal Limited.
Vanessa Gunner **(Non-executive director)**	Vanessa was appointed as a director in May 2017. Vanessa was formerly Interim Chief Operating Officer at Barclays Capital and Barclays Wealth for Corporate Real Estate Services and has over 22 years of corporate experience working with over 20 blue chip companies in Europe, the Middle East, Africa and Asia Pacific.
William George Earl **(Non-executive director)**	George has a long and well established academic career and has held senior academic positions at a number of universities in Queensland and Asia. George has extensive experience in economics, property development and valuation. He is the Chairman of the National Affordability Housing Consortium and CEO of Sustainable Living Infrastructure Consortium.

Source: HML

4.4 Financial performance

The audited consolidated statements of financial performance for FY16 and FY17, and the unaudited consolidated statement of financial performance for the ten months to April 2018 are set out below.

Table 5: Statement of Financial Performance of HML

$'000	FY16	FY17	YTD18 10 mths
Investment Income			
Realised gain/(loss) on financial instruments at fair value	3,365	8,192	540
Unrealised gain/(loss) on financial instruments at fair value	(834)	32,796	(1,015)
Dividend income	-	111	-
Total Income	**2,531**	**41,100**	**(475)**
Expenses			
Management and performance fees	-	(8,596)	(1,852)
Commissions paid to investment brokers	(347)	(1,402)	(1,535)
Accounting and audit	(79)	(166)	(791)
Consultancy fees	(84)	(124)	(40)
Legal fees	-	-	(325)
Directors' fees	(89)	(182)	(306)
Stock exchange listing and share registry costs	(139)	(29)	(60)
Other expenses	(71)	(473)	(78)
Total expenses	**(809)**	**(10,973)**	**(4,987)**
EBITDA	**1,723**	**30,127**	**(5,462)**
Depreciation & amortisation	-	-	-
EBIT	**1,723**	**30,127**	**(5,462)**
Interest income	50	35	18
Interest expense	-	-	(44)
Net profit/(loss) before tax	**1,773**	**30,162**	**(5,488)**
Income tax	(532)	(9,015)	702
Net profit/(loss) after tax	**1,241**	**21,147**	**(4,786)**

Source: HML

In relation to the statements of financial performance shown above we note that the following:

- A significant proportion of the increase in total income in FY17 relates to unrealised gains on financial instruments. Of this, $23.2 million relates to the revaluation of HML's interest in JBFG and $10 million relates to the revaluation of HML's interest in BRL. These valuations were undertaken by JBL and audited by HML's auditor, KPMG.
- HML's investment manager, JBL, agreed to waive their entitlement to performance fees in FY16. Under the investment management agreement, JBL is entitled to receive a management fee of 2% (plus GST) per annum of NTA and a performance fee of 23% of the investment return at the end of the last day of the relevant quarter. As there have been limited changes in the assessed value of the underlying investments of HML, there has been a decline in performance fees paid by HML over FY18.
- Stock exchange listing and share registry costs decreased between FY16 and FY17 due to one off costs incurred with the initial listing of HML in FY16.
- Accounting and legal fees have increased over the past 12 months largely as a result of fees associated with the various transactions being contemplated by HML. These fees have related to the drafting of transaction documentation for HML's independent directors, advice from external legal counsel, extensive external accounting advice and management of the IER process over the last 12 months.
- Directors' fees have increased due to the appointment of three additional independent board members over the last 12 months.

4.5 Financial position

The audited consolidated statements of financial position as at 30 June 2016 and 2017 and draft unaudited consolidated statement of financial position as at 30 June 2018 are set out below.

Table 6: Statement of Financial Position of HML

$'000	Jun-16	Jun-17	Jun-18
Assets			
Cash & cash equivalents	9,307	9,117	692
Balances held with investment brokers	3,482	3,477	852
Receivables and prepayments	105	1,020	963
Term deposits	5,050	189	52
Derivative assets	138	8	322
Investments held at fair value	-	47,165	57,068
Current tax receivable	-	1,005	958
Deferred tax assets	340	-	-
Other assets	-	-	5
Total assets	**18,423**	**61,981**	**60,913**
Liabilities			
Derivative liabilities	(972)	(429)	(189)
Payables	(19)	(5,222)	(142)
Related party loan	-	-	
Current tax payable	(788)	-	21
Provision for income tax	-	-	188
Deferred tax liabilities	-	(8,710)	(11,878)
Other liabilities	-	-	(1)
Total liabilities	**(1,778)**	**(14,361)**	**(12,001)**
Net assets	**16,645**	**47,619**	**48,912**

Source: HML

In relation to the statements of financial performance shown above we note the following:

- The principal assets of HML relate to HML's interest in JBFG and BRL which were valued by JBL and audited by HML's auditor.
- The decrease in cash and balances held with brokers is primarily the result of current losses and reduced payables.
- Deferred tax liabilities relate primarily to unrealised gains on investments in JBFG and BRL.

4.6 Capital structure and shareholders

As at 30 June 2018 HML had 30,615,140 ordinary shares on issue. The top ten shareholders in HML as at that date are set out in the table below:

Table 7: HML's top ten shareholders

Shareholder name	Number of shares	% of total shares
Stuart Capital Pty Ltd	4,022,293	13.1%
John Bridgeman Limited	3,165,083	10.3%
Nilcoy Pty Ltd	2,237,432	7.3%
Tetue Pty Ltd	1,800,000	5.9%
HSBC Custidy Nominees (Australia) Limited	1,511,622	4.9%
Victor John Plumber	1,000,001	3.3%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	686,579	2.2%
Elders FMC Pty Ltd	567,633	1.9%
Henry Avery Partners Pty Ltd	349,826	1.1%
Mrs Lyle Patricia Marcus	310,000	1.0%
Other shareholders	14,964,671	48.9%
Total ordinary shares	**30,615,140**	**100.0%**

Source: HML

As at 30 June 2018, HML had 4,513,791 options on issue with an expiry date of 31 August 2018 and an exercise price of $1.00.

4.7 Share price performance

The following chart shows the share market trading of HML shares for the past two years:

Figure 5: Share price performance of HML shares

Source: S&P Capital IQ

In relation to the trading of HML shares over the last two years we note the following:

- ASIC issued a stop order in relation to a prospectus for options issued by HML on 2 June 2017. As a result of this stop order HML requested a voluntary suspension from quotation on the ASX on 9 June 2017. As part of discussions during the stop order process, ASIC raised concerns regarding the valuation of HML's interest in unlisted securities. As at the date of our report, HML remains in discussions with the ASX in respect of the lifting of the voluntary suspension of trading in HML.
- Prior to requesting a voluntary suspension from trading, HML shares generally traded between $1.00 and $1.25 over the period from April 2016 to November 2016 on relatively small volumes.
- A spike in volume occurred on 21 December 2016 with 744,527 shares traded. This was primarily a result of the sale of 818,017 shares by Elders FMC Pty Ltd over the period 10 October 2016 to 21 December 2016.
- Shares generally traded between $1.50 and $1.60 between mid-December 2016 and January 2017 reaching a high of $1.77 on 31 January 2017.
- The share price reached $2.00 on 8 May 2017 and traded around this mark until trading was suspended on 9 June 2017.
- HML shares have generally traded in the range of NTA per share before and after tax assuming full conversion of options. This is common with listed investment companies.

5 PROFILE OF BRL

5.1 Background and history

BRL is a proprietary company which was established in April 2016 to provide investors with the opportunity to invest in an unlisted vehicle seeking above market portfolio returns over the medium to long term. BRL holds a portfolio of investments in unlisted securities.

5.2 Overview of operations

Currently BRL primarily operates as an unlisted investment company. BRL has engaged JBL, an investment manager listed on the National Stock Exchange of Australia, to manage its investments. Target asset classes include unlisted equities (long and short term), private equity and venture capital investments. The key terms of the investment management agreement are summarised below:

- The primary services provided by JBL are investment management services in accordance with the approved investments, meaning opportunities considered by JBL to provide a return on investment acceptable to BRL.
- JBL also provides office services, corporate support and information technology support services. At the election of the investment manager, they may also provide financial accounting and company secretarial services to BRL.
- JBL is the exclusive provider of investment management services to BRL during the five-year term of the agreement. After the initial term, the agreement may be extended if approved by both parties.
- The agreement will be terminated in the event either party ceases to carry on a business or enters any form of insolvency. Either party may terminate the agreement immediately in the event of a material and substantial breach of the agreement by the other party that is not remedied within 14 days of notice. If the agreement is terminated for any other reason, JBL is entitled to a termination payment.
- Material variations to the agreement require the written consent of JBL and the approval of BRL shareholders.
- Once the portfolio is capitalised at $20 million, JBL will be paid a management fee of 2.0% per annum (plus GST) calculated and paid monthly in arrears based on the net tangible assets of BRL and a performance fee paid quarterly in arrears equal to 23% of the investment return at the end of the last day of the relevant quarter.

Currently the key investments of BRL are:

- 32.86% interest in JBFG.
- 100% of Birdzz Pty Ltd which is the master franchisee in Australia and New Zealand for Wingstop Restaurants, an American restaurant chain that operates more than 1,000 restaurants across ten countries. Birdzz paid a territory fee of US$1.1 million to acquire the franchise agreement and pursuant to this agreement will have exclusive rights to open 110 Wingstop restaurants across Australia and New Zealand over the next ten years. Birdzz must open four restaurants prior to 31 December 2018. The four restaurants are expected to be opened in 2018 across Queensland and New South Wales. If this target is not met, the development may be rolled over to the following year with any amendments to the planned rollout to be agreed with the master franchisor.
- 100% ownership of JR Restaurants Australia Pty Ltd which is the master Franchisee in Australia and New Zealand for Johnny Rockets Restaurants. The first store under that agreement was opened in Brisbane in July 2017. Other sites are currently under development with a further three restaurants expected to be opened in 2018. Johnny Rockets has an all-American theme and a global presence with restaurants in 32 countries.

5.3 Key personnel

The current directors and senior management team of BRL comprise:

Table 8: BRL Key Personnel

John McAuliffe **Chairman & Non-executive Director**	Refer to Table 4.
Stuart McAuliffe **Managing Director**	Refer to Table 4.
Ross Patane **Non-executive Director**	Refer to Table 4.

Source: HML

5.4 Financial performance

The audited consolidated statement of financial performance for FY17 and unaudited consolidated statement of financial performance for the ten months to 30 April 2018 are set out below.

Table 9: Statement of Financial Performance of

$'000	FY17	YTD18 10 mths
Investment income		
Realised gain on financial instruments at fair value	15,211	-
Unrealised gain on financial instruments at fair value	16,080	-
Consulting income	2,127	-
Dividend income	53	-
Total income	**33,472**	**-**
Expenses		
Management and performance fees	(6,719)	(431)
Professional service fees	(65)	(26)
Directors' fees	-	(69)
Options issued to Director	(125)	-
Impairment expense	(334)	-
Other expenses	(285)	(213)
Total expenses	**(7,529)**	**(738)**
EBITDA	**25,943**	**(738)**
Depreciation & amortisation	-	-
EBIT	**25,943**	**(738)**
Interest income	103	61
Interest expense	-	-
Net profit before tax	**26,046**	**(677)**
Income tax (expense) / benefit	(7,937)	203
Net profit after tax	**18,109**	**(474)**

Note: the FY17 statement of financial performance is for the period 22 April 2016 to 30 June 2017
Source: HML

In respect of the statements of financial performance shown above we note the following:

- In FY17, the realised gain predominantly relates to a gain on the sale of BRL's interest in Risk and Security Management Pty Ltd ("**R&S**") to JBFG. On 21 June 2016 BRL purchased 1.8 million (60%) R&S shares for consideration of $1.8 million. Over the next year, BRL increased its holding to 10.5 million shares increasing the total cost to $12.5 million. On 5 June 2017, BRL sold all of its shares in R&S to JBFG for consideration of 4,027,844 JBFG shares valued at $24.7 million (or $6.14 per share), recording a gain on disposal of $12.2 million.
- The unrealised gain in FY17 relates to a revaluation of BRL's interest in JBFG subsequent to the sale of their interest in R&S. Their interest in JBFG was revalued from $32.7 million to $48.8 million resulting in an unrealised gain of $16.1 million.

5.5 Financial position

The audited consolidated statement of financial position as at 30 June 2017 and draft unaudited consolidated statement of financial position as at 30 June 2018 are set out below.

Table 10: Statement of Financial Position of BRL

$'000	FY17	FY18 (draft)
Assets		
Cash & cash equivalents	54	35
Receivables	2,755	1,601
Term deposits	20	20
Property plant & equipment	2	2
Investments held at fair value	48,789	65,949
Deferred tax assets	-	1,188
Total assets	**51,620**	**68,795**
Liabilities		
Payables	(12,945)	(7,225)
Borrowings	(966)	(146)
Deferred tax liabilities	(7,937)	(14,133)
Total liabilities	**(21,847)**	**(21,505)**
Net assets	**29,773**	**47,291**

Source: HML

In relation to the statements of financial position shown above, we note the following:

- The main investment of BRL is a 32.86% interest in JBFG. This increase in investments held at fair value is predominantly related to the revaluation of BRL's interest in JBFG during FY18.
- BRL's investments in the Wingstop and Johnny Rockets franchise networks have been valued at $1.4 million, being the cost of acquiring the franchise rights.
- Receivables predominantly relate to loans and advances to related parties, the largest of which is a $1.2 million loan to Johnny Rockets.
- Deferred tax assets primarily relate to unrealised gain on revaluations of the value of BRL's interest in JBFG.
- Payables of $7.2 million predominantly relate to performance fees owed to the investment manager.
- Deferred tax liabilities predominantly relate to the unrealised gain on BRL's interest in JBFG.

5.6 Capital structure and shareholders

As at 30 June 2018 BRL had 4,798,443 ordinary shares on issue. The substantial shareholders in BRL, as at this date are set out in the table below:

Table 11: BRL's Substantial Shareholders

Shareholder name	Number of shares	% of total shares
John Bridgeman Limited	2,570,827	53.6%
Henry Morgan Limited	1,497,616	31.2%
Stuart Capital Pty Ltd	500,000	10.4%
Other shareholders	230,000	4.8%
Total ordinary shares	**4,798,443**	**100.0%**

Source: HML

BRL has also issued one million options to Stuart McAuliffe. The options expire on 22 April 2021 and have an exercise price of $1.00.

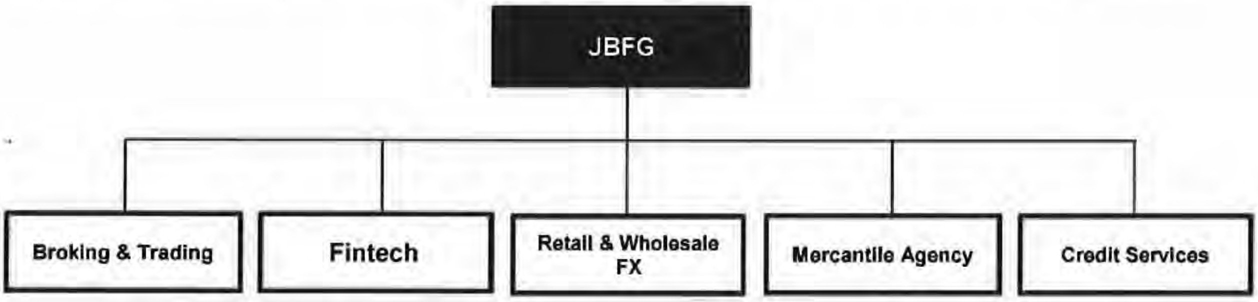
6 PROFILE OF JBFG

6.1 Background and history

JBFG is a holding company that has acquired/established a number of operating businesses since its inception in 2016. The operating businesses all provide some type of financial services and are a mix of mature and growth businesses. A brief overview of each of the JBFG businesses is provided below.

6.2 Overview of operations

JBFG is a financial services and fintech group that was established in 2016. Since then, JBFG has acquired a number of businesses which currently trade under five operating divisions, as set out in the figure below:



6.2.1 Broking and Trading

The broking and trading division of JBFG was established in 2016 when work commenced to develop a broking business from the ground up under the trading name of JB Markets. In January 2017, under the direction of four employees, JB Markets began the task of building front, middle and back office infrastructure to support a scalable broking business. A key determinant in deciding to build new infrastructure from the ground up was to leverage the significant scale provided by the trading activity of JBL's clients (in particular HML) and to utilise technological innovations to reduce staffing requirements in the middle and back offices.

In mid-2017 JBFG acquired a competing broker, Alpha Futures & Equities (now JB Alpha) to increase the scale and capabilities of the JB Markets business. JB Alpha Pty Ltd is a fully owned subsidiary of HPH Holding Pty Ltd which is 100% owned by JBTH. JB Alpha is located in Melbourne and offers a full suite of products, including equities, options, futures, contracts for difference, margin foreign exchange, exchange traded funds and physical bullion, to retail and institutional clients. JB Alpha's clients can choose from full service broking, trade for yourself or managed discretionary services.

In September 2017 the broking and trading division made a second acquisition, Genesis Proprietary Trading ("**Genesis**"). As a proprietary trading company, Genesis provides capital to futures market professionals and takes a profit share on the result of their trades. Genesis employs a relative value trading philosophy and 98% of its trades are in the fixed interest market. Genesis has a comprehensive risk management policy in place which sets limits on positions, cash flows and daily losses. There is a 24 hour risk management desk which monitors the positions of traders.

Each of the three broking and trading businesses (JB Markets, JB Alpha and Genesis) are owned by JBTH, a subsidiary of JBFG.

6.2.2 Fintech

JBFG has an interest in three FinTech companies, 67.5% of Piggybk Holdings Pty Ltd, 75% of Funz Holdings Pty Ltd and 100% of JB Fintech Services Pty Ltd. The FinTech division operates under the trading name AssetChain and is in the start-up phase of its lifecycle. AssetChain was established in April 2017 as a partnership between Michael Fredericks, a successful Fintech entrepreneur, and JBFG. The aim was to develop disruptive technology that takes advantage of the interrelationships between the fintech and proptech (property technology) spaces. Since establishment, AssetChain has built a team of experienced information technology professionals and has made substantial progress in creating a scalable technology platform called Piggybk aimed at capturing and retaining the wealth management needs of the millennial generation. Asset Chain is also pursuing partnerships with other fintech start-ups in order to broaden the service offerings of PiggyBk. PiggyBk is expected to soft launch in the last quarter of 2018. AssetChain is also investing in other fintech products, however the Piggybk project is the most advanced to date.

6.2.3 Retail foreign exchange(Crown Currency)

The Crown Currency business was established in 2004 when founder, Henry Koster, purchased Kings Currency Exchange in Surfers Paradise. This original store predominantly catered for the inbound Japanese tourist market. As Japanese tourist numbers began to decline, the founder set about establishing a network of foreign exchange shops in Queensland, under the Crown Currency brand, with a greater focus on the outbound tourist market.

In December 2016 the Crown Currency business was acquired by JBFG for $14.9 million. At the time of the acquisition there were 11 Crown Currency stores in operation as well as the Kings Currency store which has retained its original branding. Since the acquisition there has been a significant new store roll out, with 16 new stores opened between January 2017 and March 2018, giving a total of 28 stores. The new store roll-out has focused on expanding the geographical reach of Crown Currency into NSW and Victoria. The Crown currency business is owned by King's Currency Exchange Pty Ltd and Harnwei Pty Ltd (the lease holding entity for the Crown Currency business), which are both 100% subsidiaries of JBFG.

Crown operates a low cost, high volume business model that seeks to offer the most competitive exchange rates in the market in order to generate higher volumes and absolute profit than its competitors. This approach also reduces risk from foreign currency movement as stock is turned over quickly, particularly for in demand currencies. Other than the cost of acquiring foreign currency from wholesales, the key costs incurred in operating the Crown Currency business are rental and associated costs for the store sites and employee costs.

Currently the core customer base for the Crown Currency business is the grey nomad/baby boomer demographic. A significant portion of this demographic are cash/asset rich, have retired/semi-retired and have a desire to experience international travel. This demographic is targeted through new store locations and advertising and promotion targeted at travel agents and travel expos catering to this demographic. Going forward, Crown Currency is looking to target a larger share of the youth market via radio advertising and attendance at university O-week activities in order to increase brand awareness in this demographic.

6.2.4 Wholesale foreign exchange (JBFX Wholesale)

The wholesale business trades as JBFX Wholesale. The business was established through the acquisition of the assets of American Express wholesale foreign exchange business in September 2017. JBFX Wholesale provides foreign currency banknote supply and clearance services to both Australian and international markets. The business operates out of a bespoke, state of the art secured vault facility located in Alexandria, a suburb of Sydney. Currently the principal client of JBFX Wholesale is the Crown Currency business. However, additional customers are being targeted as supply contracts come up for renegotiation. The only major competitor of JBFX Wholesale is the wholesale business of Travelex. JBFX Wholesale deals in up to 68 foreign currencies, however, most of the stock value is held in four major currencies, the US dollar, Euro, British pound and New Zealand dollar which comprise circa 85% of market turnover.

6.2.5 Mercantile Agency

In June 2017 JBFG completed the acquisition of R&S, one of Australia's largest providers of mercantile agency services. R&S was formed by the merger of the following businesses operating in the mercantile agency industry:

- **IDS Group:** provides specialist investigative due diligence/ background screening as well as other intelligence gathering services.
- **Advance Holdings Group:** provides repossession, process serving, auditing, field call, skip location enquiries and a variety of legal support services to corporate clients, including financial institutions, insurance companies, law firms, debt collection companies as well as federal, state and local governments.
- **Ashdale Integrity Solutions:** provides workplace investigation services, conflict resolution, training and intelligence analysis and surveillance services, assisting clients to effectively respond to workplace conflict or serious complaints of bullying, harassment, misconduct and other negative workplace behaviours.
- **Yates Professional Investigations:** offers asset location, debtor location, field calls, process serving, repossession and property securing services to major finance, banking and insurance clients.
- **Trademark Investigation Services:** provides specialist investigative services for trademark professionals and protection for luxury brand owners in respect of counterfeiting and intellectual property infringement.

Since the acquisition, a significant rebranding exercise has been undertaken and each of the merged businesses now operate under the R&S brand.

As an integrated business, R&S now provides the following services to clients:

- **Repossession services:** taking into custody items purchased on credit where the borrower has defaulted on their loan on behalf of the lender.
- **Audit & asset inspection services:** typically undertaken on behalf of finance companies to inspect inventory where floorplan finance has been provided to retailers (i.e. finance has been provided to motor vehicle dealers for their showroom stock).
- **Process serving services:** use of field agents to serve notice of legal proceedings on a party to a legal action.
- **Field call service:** physical attendance at a property to determine whether an individual is residing at the premises.
- **Skip location services:** advice on the most effective approach to locate a person of interest. Actual investigation and location services can also be provided.
- **Legal support services:** includes field agent attendance at enforcement hearings, filing of court documents, licensed security providers of lockout services, attendance at property settlement and exchange as well as cheque delivery and deposit services.
- **Trademark investigation services:** provide specialist trademark professionals and protection for brand owners in respect of counterfeiting and intellectual property infringement.
- **Investigations:** investigation services to provide accurate evidence through strategic investigation plans and data analysis. Services include background screening, surveillance and other general investigations.
- **Workplace solutions:** services to assist clients effectively respond to workplace conflict or serious complaints of bullying, harassment, misconduct and other negative workplace behaviours.

6.2.6 Credit Services

The credit services division was established through the acquisition of Growth Point Capital in November 2017. Growth Point Capital is a finance broking business that was established by David Schuh, initially to service the clients of his family's accounting business. The business offers finance broking services across three areas:

- **Commercial:** including commercial property and business finance
- **Residential:** residential property mortgages

- **Vehicle and equipment:** personal and business loans for vehicles and commercial equipment

Growth Point Capital has recently invested in a 13 person back office team located in Manilla. This has been a considerable investment in the future growth of the business and along with the addition of more sales staff in Australia is expected to drive significant growth in the short to medium term.

Capital Credit Pty Ltd ("**Capital Credit**"), a subsidiary of JBFG, also operates in the credit services division. Capital Credit holds an Australian Credit Licence and debt ledger assets which complement the mercantile agency operations. Capital Credit was acquired in November 2017 for consideration of $158 settled by way of the issue of 20 JBFG shares valued at $7.90 per share. The two tranches of debt ledger assets were acquired for a total of $2.8 million.

6.3 Key personnel

Each of the JBFG businesses have their own management team. A brief description of the key personnel for each of the businesses as well as the JBFG directors is provided in the table below:

Table 12: JBFG Key Personnel

Daren Markisic **CEO JB Markets and JB Alpha**	Daren has over 17 years' experience in the Futures, Options and FX markets and previously covered the European and US market hours over a five year period at Mann Financial / MFG. Prior to joining JB Markets, Daren managed the private client and professional services business at Bell Potter.
Nicholas Scarf **CEO Genesis**	Nicholas joined Genesis as CEO in September 2015 after 7 years as Managing Director and Country Head of Newedge Australia and Singapore. Prior to Newedge, Nick was the Managing Director and Chief Executive of BrokerOne for 9 years, where he took BrokerOne from a ranking outside the top 20 futures brokers to become Australia's largest futures broker before its sale to MF Global in 2007. He has over 26 years of Broking and Trading experience in Asia.
Michael Fredericks **CEO AssetChain**	Michael is a corporate and technology lawyer, as well as an experienced entrepreneur. Prior to joining AssetChain, Michael was an Executive Director and CEO of a number of early stage and well established technology companies where his achievements included raising over $70 million and the listing of one of the companies he founded on the ASX.
Mark Mulligan **CEO JBFX Wholesale**	Over the course of his career to date, Mark has headed up foreign exchange businesses for American Express (10 years), Travelex (5 years) and Westpac Bank (15 years) in Directorial and Senior Executive roles.
David Schuh **CEO Growth Point Capital**	David was appointed CEO of Growth Point Capital in March 2013. He has over eight years' experience in property development and finance, with a specific focus on commercial and residential mortgage broking. He also has seven years' experience as a company director.
Nick Wright **General Manager Investigations R&S**	Nick has over 25 years' experience in all facets of investigation and mercantile services. Nick is a Director and the General Manager of Investigations. Nick has held numerous executive position in industry associations.
Stuart McAuliffe **Group CEO of JBFG**	Stuart has over 25 years' experience investing in global equity, bond, currency and commodity markets. Stuart is a former Associate Professor at Bond University and has lectured nationally and international in the fields of economic forecasting, valuation modelling, financial structures and risk management.

Peter Aardoom **Non-executive director JBFG**	Peter has over 30 years' experience in Australian and international equity and derivatives broking and trading, portfolio management, general corporate and financial advisory services and company promotion. Peter has held multiple senior positions with large international and Australian financial services companies including Lehman Brothers, Bell Commodities, Ord Minnett, Jardine Fleming, JP Morgan and MF Global. Peter is also a director and responsible manager of JB Markets.
Michael Martin **Non-executive director JBFG**	Michael is one of the leading traders within the JBFG Group, with over 23 years' experience working in financial markets. Michael previously worked in the money markets operations team, trading foreign exchange, futures and interest rates at Colonial State Bank. Prior to joining the John Bridgeman team, Michael was a broker at Bell Potter's European shift.
Samuel Elderfield **Non-executive director JBFG**	Samuel has significant experience in the funds management industry and manages the Group's interest in international franchises. He has served in a broad range of commercial and financial roles gaining experience in the major European and Asian markets while delivering operational management across all facets of the company.

Source: HML

6.4 Financial performance

The audited consolidated statement of financial performance for FY17 and unaudited consolidated statement of financial performance for the eleven months to 31 May 2018 are set out below.

Table 13: Statement of Financial Performance of JBFG

$'000	FY17	YTD18 11 mths
Revenue		
Foreign currency exchange revenue	4,329	10,187
Professional services	1,063	16,219
Proprietary trading revenue	-	13,522
Brokerage & commission	1,031	4,570
Other income	14	103
Total income	**6,437**	**44,601**
Expenses		
Commissions paid to investment brokers	(248)	(8,282)
Trading fee on foreign currency bank notes	-	(569)
Dealing expenses	(3)	(4,061)
Rental expenses	(717)	(3,090)
Employee benefits and fees	(3,210)	(17,383)
Post employment employee benefits	(313)	(197)
Long-term employee benefits	(14)	(56)
Insurance	(57)	(186)
Professional services	(744)	(7,742)
Audit and accounting	(303)	(479)
Travel expenses	(222)	(459)
Market trading information	(138)	-
Marketing & advertising	(133)	(156)
Printing and stationery	(104)	(240)
Bank charges	(41)	-
Other expenses	(374)	(4,868)
Total expenses	**(6,620)**	**(47,768)**
EBITDA	**(183)**	**(3,167)**
Depreciation & amortisation	(70)	(388)
Impairment expense	-	(853)
EBIT	**(254)**	**(4,408)**
Interest income	8	45
Interest expense	(55)	(304)
Net profit before tax	**(301)**	**(4,667)**
Income tax (expense) / benefit	94	1,400
Net profit after tax	**(207)**	**(3,267)**
Foreign currency translation differences	(1)	-
Total comprehensive income / (loss)	**(208)**	**(3,267)**

Source: HML

We note the following in respect of the historical financial performance of JBFG set out above

- Foreign currency exchange revenue is derived from the retail and wholesale foreign currency businesses (Crown Currency and JBFX Wholesale). The increase in foreign currency exchange revenue in YTD18 is due to the increase in the number of Crown Currency stores over the period.
- Professional services revenue relates to income generated by the mercantile agency and credit services businesses. The increase in revenue is largely attributable to the acquisition of Genesis and increased activity from the broking business.
- There was no proprietary trading revenue in FY17 as Genesis was not acquired until September 2017.

- The increase in most line items above is due to the full year impact of acquisitions made (such as R&S which was acquired 5 June 2017) as well as the ramp-up of organically grown businesses such as JBTH (including JB Markets and Genesis)
- The trading fee on foreign bank notes relates to the fee paid by JBFX Wholesale to HML for use of physical banknotes from currency trading on consignment.
- The impairment expense in FY18 relates to an impairment charge on the purchased debt ledger asset.
- Expenses have increased due to the increase in scale in the JBFX business since 30 June 2017 from both acquisitions and growth in existing businesses.

Due to the early-stage nature of a number of the businesses and the investments that have been made to either consolidate or grow the acquired businesses we consider that that limited conclusions can be drawn in relation to the financial performance of JBFG set out above. We discuss specific observations on the historical trading and near-term outlook for each of the businesses in our valuation analysis for JBFG in Appendix 3.

6.5 Outlook

JBFG operates a diverse portfolio of financial services businesses each with significant near-term growth ambitions which are also subject to a number of risks/challenges in respect of taking market share and/or delivering on aggressive growth strategies. A summary of the outlook for each of the operating divisions is provided below:

- **Broking division:** JBTH (JBMarkets, JB Alpha and Genesis) expects significant growth in the near-term through leveraging the scalability of the technology platform that has been developed to onboard new clients and explore the prospects of strategic partnerships. Currently, JBTH is heavily reliant on JBL to provide trading volumes. JBL expects that volumes traded through JBTH will continue to increase as JBL's funds under management increases from existing clients and any newly launched LIC's. As the onboarding process for new clients progresses, JBTH's reliance on JBL is anticipated to decrease. Furthermore, in April 2018, JBFG commenced a joint venture with Saxo Capital Markets (Australia) Pty Ltd ("**Saxo**") a subsidiary of Saxo Bank, the terms of which are commercial in confidence. However, JBFG anticipates positive financial returns from this venture. The proprietary trading aspect of the business is heavily levered to a fixed income yield curve duration strategy that should benefit from an expected increasing interest rate environment. Further growth is also expected from the addition of a small number of new traders each year as the platform is highly scalable.
- **Crown Currency:** Crown Currency is targeting strong growth in revenue for existing stores in line with recent historical growth of approximately 10% per annum. New stores added over the past three years are expected to continue their growth trajectory in line with historical trends for new stores to reach mature operations in approximately three years of opening. The continued roll out of the new store program will further accelerate growth and increase the footprint of the business to become a national operation. The business will also be impacted by the relative strength of the Australian dollar. The USD is one of the most common currencies for inbound and outbound travellers. As Crown Currency is more concentrated on outbound travellers, the business may be adversely impacted by a sustained appreciation of the USD, leading to a decrease in outbound travellers.
- **Mercantile agency:** this division is a more mature operating business. However, the recent rebranding strategy and integration of the merged business provides an opportunity for growth through greater economies of scale and the opportunity to provide a broader range of services to existing clients. Over time there is the potential to expand to acquiring debt ledgers.
- **Wholesale FX:** There are significant opportunities for the wholesale FX business through both the rapid expansion of the Crown Currency business and the opportunity to gain market share as contracts with other foreign currency retailers come up for renewal.
- **Credit services:** this business has recently invested in the back-office infrastructure to support significant growth and expects to rapidly increase its sales force to utilise the new back office capacity. Further opportunities exist if the current application for an Australian Credit Licence is approved.
- **Fintech division:** As the business has only been operational for a few months, the timing and extent of revenue/profitability from this division remains highly uncertain. The outlook in the short-term will be driven primarily by whether the Piggybk product is successful in terms of both customers accessing the platform and then their monetisation through other products/services that may be offered through the platform.

6.6 Financial position

The audited consolidated statement of financial position as at 30 June 2017 and unaudited consolidated statement of financial position as at 31 May 2018 are set out in the table below.

Table 14: Statement of Financial Position of JBFG

$'000	FY17	May-18
Current assets		
Cash & cash equivalents	4,533	16,744
Derivative financial instruments	-	27
Trade receivables	3,542	6,280
Other receivables	14,023	272
Pre-payments and term deposits	630	589
Purchased debt ledgers	-	225
Total current assets	**22,728**	**24,137**
Non-current assets		
Receivables	-	118
Investments at fair value through profit or loss	21	-
Property, plant & equipment	1,362	3,337
Intangibles	46,095	60,866
Deferred tax assets	1,560	6,204
Purchased debt ledgers	-	1,675
Other non-current assets	81	511
Total non-current assets	**49,119**	**72,711**
Total assets	**71,847**	**96,848**
Current liabilities		
Bank overdraft	(326)	-
Derivative financial instruments	-	(114)
Trade & other payables	(2,628)	(20,605)
Borrowings	(5,325)	(5,590)
Provisions	(764)	(700)
Provision for income tax	(628)	(2,571)
Total current liabilities	**(9,671)**	**(29,580)**
Non-current liabilities		
Borrowings	(244)	(797)
Trade & other payables	(126)	(114)
Deferred tax liability	-	(386)
Provisions	(404)	(1,085)
Total non-current liabilities	**(774)**	**(2,382)**
Total liabilities	**(10,445)**	**(31,962)**
Net assets	**61,402**	**64,886**

Source: HML

In relation to the historical financial position of JBFG set out above, we note the following:

- The increase in cash at 31 May 2018 is primarily due to cash held by Genesis and other businesses at the date of acquisition.
- Other receivables consist of short term loans and advances to other group companies and funds receivable for shares issued, the majority of which were received as at 31 May 2018.

- As set out above, JBFG's current liabilities exceeded current assets by approximately $5 million as at 31 May 2018. We understand that the current asset deficiency has reduced since due to additional funds raised through a share issuance by JBFG and positive trading results
- Intangible assets predominantly relates to goodwill acquired upon the purchase of a number of businesses. Th increase in intangibles between June 2017 and May 2018 primarily relates to goodwill recognised upon the acquisition of Genesis, Express Mercantile and Growth Point Capital.
- The increase in current trade and other payables predominantly relates to increased FX held on consignment and funds provided to JBFG for the purposes of derivatives trading.

6.7 Capital structure and shareholders

As at 30 June 2018 JBFG had 26,920,863 ordinary shares on issue. The substantial shareholders in JBFG, as at this date are set out in the table below:

Table 15: JBFG's Substantial Shareholders

Shareholder name	Number of shares	% of total shares
Bartholomew Roberts Pty Ltd	8,845,081	32.9%
Henry Morgan Limited	5,350,000	19.9%
Stuart Investment Trust	3,181,488	11.8%
Henry Avery Partners Pty Ltd	2,400,000	8.9%
John Bridgeman Limited	1,150,563	4.3%
Other shareholders	5,993,731	22.3%
Total ordinary shares	**26,920,863**	**100.0%**

Source: HML

There have been a number of recent transactions in the shares of JBFG which we have considered in Section 8.2.4.

7 VALUATION METHODOLOGIES

7.1 Introduction

As set out in Section 2.2, we have assessed whether the Proposed Transaction is fair by comparing the fair market value of the financial benefit to be provided by HML to JBFG (being $1 as consideration for the Put Option and entering into the JBTH Exclusive Trading Agreement) to the financial benefit to be received by HML (being the value of the Put Option and the JBTH Convertible Note).

7.2 Valuation approach – Put Option

A variety of pricing models exist for valuing options and the selected pricing model should reflect the features and complexity of the instruments being valued. Common methods utilised for valuing options include the Black-Scholes Option Pricing Model, the Binomial Option Pricing Model and Monte Carlo Simulation. Further details of these methods are set out in Appendix 2.

We consider the BOPM to be an appropriate model for assessing the value attributable to the Put Option as this is a common approach for valuing instruments of this nature.

7.3 Valuation approach – JBTH Convertible Notes

The JBTH Convertible Notes have a face value of $12 million with interest paid at 4.1% per annum. The JBTH Convertible Notes may be redeemed after four years and can be converted into JBTH shares at any time within four years from the date of issue. As the JBTH Convertible Notes have both debt and equity components, we have separately valued each of these components.

In assessing the fair market value of the debt component of the JBTH Convertible Notes we have selected a market yield approach. This is a common approach to value debt instruments whereby the valuer determines the fair value of a debt security based on an appropriate yield. The yield represents the discount rate that is applied to discount the interest and principal payments over the term of the instrument to a present value. The yield selected must take into consideration market yields as well as company-specific risk factors.

We consider the BOPM to be an appropriate model for assessing the value attributable to the option component of the JBTH Convertible Note.

8 VALUATION OF THE PUT OPTION

8.1 Introduction and summary

We have assessed the fair market value of the Put Option using the BOPM. This is a mathematical formula that can be used to value 'plain vanilla' European options. It is also used to value options in the circumstances where the value of holding the option at a given time is greater than the net present value of cash flows that would be generated by immediate exercise (for example, if there is little or no dividend).

We have estimated the fair market value of the Put Option using the BOPM as follows:

Table 16: Assessed value of the Put Option

Assumption		Low	High
Spot price (current value of interests in JBFG and BRL)	$'m	43.4	39.6
Exercise price (Assessed Value of Consideration)	$'m	67.2	67.2
Life of option	years	5.0	5.0
Volatility	%	40%	40%
Risk-free rate	%	2.27%	2.27%
Discount for risks associated with security		25%	10%
Assessed Value of Put Option	$'m	**20.4**	**26.1**

Source: Leadenhall analysis

As set out above, there is significant value attributable to the Put Option, due to the significant intrinsic value as a result of the premium of the JBFG and BRL Consideration to our assessed value of HML's interest in JBFG and BRL.

In determining the fair market value of an option, the following inputs need to be considered:

- **Spot price:** The market price of the underlying asset which the option is over. In this instance, the spot price is represented by our assessed value of HML's interest in JBFG and BRL.
- **Exercise price**: The price paid on the exercise of a call option, or received on the exercise of a put option. In this instance the exercise price is represented by our assessed value of the JBFG and BRL Consideration.
- **Life**: The period over which the option may be exercised.
- **Volatility:** A measure of the expected variability of the underlying share price. Volatility is measured as the standard deviation of returns.
- **Expected dividend yield**: The expected dividend yield on the underlying shares over which the option has been granted.
- **Risk free rate:** The interest rate on a risk free asset (government bonds) over a period matching the option life.

We discuss each input into the valuation individually below.

We note that our conclusion on the fairness of the Proposed Transaction is not sensitive to any of the inputs into the valuation of the Put Option.

8.2 Spot price

8.2.1 Introduction and summary

In determining the spot price for the Put Option we have estimated the value of each of JBFG and BRL using a SOTP analysis of each of the underlying businesses using an appropriate valuation methodology. We have also considered recent transactions in the shares of JBFG as well as HML's most recently audited carrying value of its investments in JBFG and BRL.

The table below sets out the assessed values of HML's interest in JBFG and BRL:

Table 17: Summary of assessed values

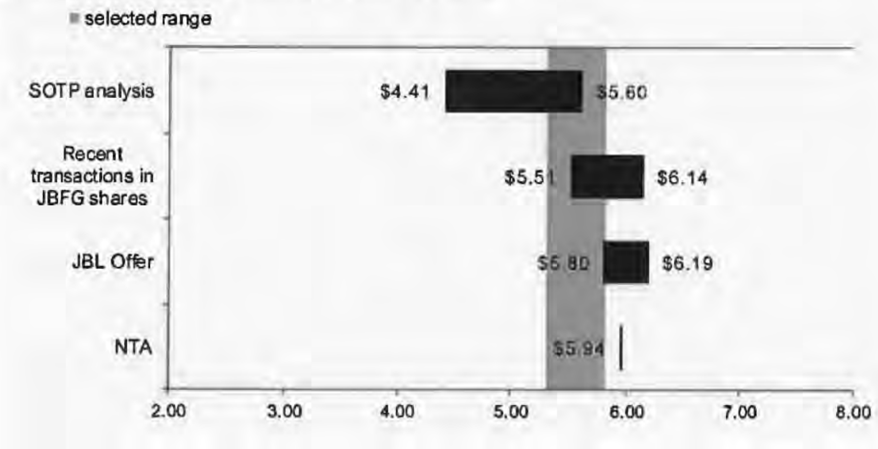
$m	Low	High
Value of HML shares in JBFG	28.4	31.0
Value of HML Shares in BRL	11.3	12.3
Deemed Spot Price	**39.6**	**43.4**

Source: Leadenhall analysis

8.2.2 Value of JBFG

We have assessed the fair market value of a JBFG share as follows:

Table 18: Assessed value of a JBFG share



Source: Leadenhall analysis

Based on our analysis, we have selected a valuation range of $5.30 to $5.80 for a JBFG share. Based on our assessed range, the value of HML's and BRL's interest in JBFG is set out in the table below:

Table 19: Summary of assessed values

Assessed value of HML's and BRL's stake in JBFG				
	HML		BRL	
Asset	**Low**	**High**	**Low**	**High**
Assessed value per share	5.30	5.80	5.30	5.80
Number of shares (m)	5.35	5.35	8.85	8.85
Assessed value per share of JBFG	**28.4**	**31.0**	**46.9**	**51.3**

Source: Leadenhall analysis

We discuss each of the above valuation approaches in further detail below.

8.2.3 JBFG SOTP analysis

As HML owns a minority share in JBFG, we have conducted our valuation analysis for each business on a minority basis. Detailed valuation analysis for each JBFG business is set out in Appendix 3.

One of the main risks to HML shareholders is inadequate compensation for their interest in JBFG and BRL. In undertaking our analysis, where possible, we have therefore adopted assumptions for JBFG at the higher end of what we would consider reasonable.

In estimating the value of JBFG we have considered the following factors:

- **Crown Currency:** We have applied the CFME approach using maintainable EBIT as the earnings basis. In applying the CFME approach, we have selected a maintainable EBIT of $7 million to $8 million and an EBIT multiple of 8.5x to 9.5x. In selecting maintainable earnings, we have allowed for the earnings uplift from the expected ramp-up of recently opened stores (and near term planned stores) to a mature store level. We have cross-checked our assessed CFME value using a DCF approach which provided broad support for our assessed value.
- **JBTH:** We have applied the CFME approach using maintainable NPAT as the earnings basis. In applying the CFME approach, we have selected a maintainable NPAT of $4.0 million to $4.5 million and an PE multiple of 11.0x to 12.0x. Whilst the business is loss-making year-to-date, in selecting maintainable earnings we have considered the near-term earnings potential from trading volumes expected from HML and other related entities (including the expectation of future funds launched by JBL which would likely trade through JB Markets as well as the potential to attract further third party clients.
- **Mercantile Services:** We have applied the CFME approach using maintainable EBIT as the earnings basis. In applying the CFME approach, we have selected a maintainable EBIT of $2.1 million to $2.5 million and an EBIT multiple of 7.0x to 7.5x. YTD trading is on budget after taking into account $1.2 million of expense normalisations related to the integration process. We have allowed for 10% to 12% revenue growth in FY19 and a small uplift in EBIT margin.
- **JBFX Wholesale:** We have applied the CFME approach using maintainable EBIT as the earnings basis. In applying the CFME approach, we have selected a maintainable EBIT of $0.9 million to $1 million and an EBIT multiple of 6.5x to 7.0x. Whilst the business is currently operating at a loss, JBFX Wholesale have a target list of clients with whom they have good relationships and anticipate conversion of this pipeline upon sufficient investment in inventory.
- **Credit services:** We have applied the CFME approach using maintainable NPAT as the earnings basis. In applying the CFME approach, we have selected a maintainable NPAT of $0.8 million to $1.0 million and an NPAT multiple of 6.5x to 7.0x times.
- **AssetChain:** AssetChain is a pre-revenue FinTech business that has been established for less than 1 year and has incurred $1.7 million in costs to date. The low-end of our assessed range reflects the costs incurred to date whereas the high-end reflects a return of 35% on the current investment.

- **Net debt**: As at 31 May 2018 JBFG had a net cash position of $10 million (excluding the impact of the JBTH convertible notes).
- **Surplus assets**: We identified one surplus asset of JBFG, a purchased debt ledger, which has a current carrying value of $1.9 million.
- **Non-operating liabilities**: Non-operating liabilities relate to the capex required to open the nine new stores included in our maintainable earnings, estimated at $0.4 million per store, and the additional working capital required for JBFX Wholesale to acquire the forecast level of new customers.
- **Other:** JBTH intends to enter into an exclusive trading agreement with BHD on broadly similar terms as the JBTH Exclusive Trading Agreement with HML. If approved by BHD shareholders, JBTH will issue $13.5 million of convertible notes on similar terms as the JBTH Convertible Notes. We have valued these notes on a consistent basis as the JBTH Convertible Notes. As the BHD and JBTH Convertible Notes are expected to be issued at completion of the Proposed Transaction and prior to exercise of the Put Option, we have included the impact of issuing these instruments in our determination of the Spot Price.

As set out in Section 6.6, as at 31 May 2018, JBFG had a net current asset deficiency of approximately $5 million. Whilst we understand that this position has since improved, the solvency of the business is a risk, particularly as JBFG may need further access to funding in the future to execute its growth plans. This is not uncommon for early stage and/or high growth companies. However, we consider that this is somewhat mitigated by access to funding within its shareholder group (such as JBL).

8.2.4 Recent transactions in JBFG shares

JBFG has recently conducted a capital raising under which 563,063 new shares were issued at a price of $5.94 per share. This price was determined with reference to the last audit reviewed valuation of JBFG as at 31 December 2017. The shares were issued to JBL with the proceeds being applied to the expansion of the retail and wholesale foreign exchange divisions of JBFG.

8.2.5 Shares issued to fund recent acquisition of JBFG

Since 2017, JBFG has made a number of acquisitions where some or all of the purchase price has been paid via JBFG scrip. A summary of these transactions, and the implied price of the JBFG shares issued, is set out in the table below:

Table 20: Summary of JBFG Acquisitions

Target	Date	Purchase price ($'m)	%scrip	No. share issued (m)	Implied share price
Crown Currency	Apr-17	14.9	48%	1.30	$5.51
JB Alpha Ltd	Apr-17	3.0	50%	0.26	$5.85
Risk & Security Management Pty Ltd	Jun-17	39.9	100%	6.50	$6.14
Genesis Proprietary Trading Pty Ltd	Sep-17	11.2	49%	0.90	$6.14

Source: HML

The most recent scrip issues are at the high end of our valuation range and higher than the recent share issue price. In relation to this we note that as the vendors are receiving scrip as consideration, the implied share price may include some element of synergies in respect of the businesses being acquired.

8.2.6 JBL Offer for JBFG

On 28 February 2018, HML received an offer from JBL to acquire HML's shares in JBFG. The key terms of the offer were as set out below:

- The proposed consideration for each JBFG share was 3.0 ordinary JBL shares plus one option in the same class as listed JBLOA options, exercisable at $1.10 and expiring on 31 March 2020
- Following completion, JBL proposed lodging an application for admission to the Official List of the ASX.

On 10 July 2018, JBL announced that it was working with its advisers to proceed with this offer to non-HML shareholders and that the transaction would be put to JBL shareholders for approval.

Based on recent trading in JBL shares, the indicative value of the JBL offer was as follows:

- 3.0 ordinary shares with a total value of $6.00 based on the most recent traded price of JBL. We note that JBL is closely held and thinly traded and as such a discount for lack of liquidity may be appropriate in light of the size of shareholding that would be issued to proceed with this transaction. For the purpose of this analysis we have utilised at discount for lack of liquidity of up to 15%
- An option in JBL exercisable at a price of $1.10 per share. Using the BOPM and the assumed share price range above would result in an indicative value of the option component of $0.70 to $0.97 per option.

Based on the above the indicative value range of the JBL Offer is between $5.80 to $6.97. We note that this offer was extended to all shareholders of JBFG and as such may include some element of a control premium and/or synergistic value to JBL.

8.2.7 HML's reported JBFG NTA

We note that our assessed value represents a discount to the most recently reported value of JBFG in HML's NTA of $5.94. This is mainly due to the dilutive impact of the JBTH Convertible Notes and the BHD Convertible Notes which have been negotiated subsequent to the previous reported NTA position of HML at 31 May 2018. The value of these instruments represents an approximate $0.65 per share decrease in the value of JBFG.

8.2.8 BRL Summary

We have assessed the fair market value of BRL using the net assets on a going concern basis, as set out below:

Table 21: Valuation of BRL

Assessed value of BRL (minority value)		
A$'m	**Value**	
Asset	**Low**	**High**
JBFG Shares	46.9	51.3
Franchises	5.8	5.8
Other net liabilities	(8.4)	(8.4)
Net assets of BRL	**44.3**	**48.8**
Dilutive impact of options on issue	(8.3)	(9.2)
Equity value of BRL	**36.1**	**39.6**
HML Share	31.2%	31.2%
Value of HML interest in BRL	**11.3**	**12.3**

Source: HML and Leadenhall analysis

8.2.9 BRL Interest in JBFG shares

We have utilised our assessed value of JBFG (on a minority basis) as set out in Section 8.2.2 above.

8.2.10 BRL Franchises

We have estimated the value of BRL's investments in the 'Johnny Rockets' and 'Wingstop' franchise based on the recent acquisition price for these franchises as well as the investment made in the one Johnny Rockets store opened to date. Whilst some progress has been made in establishing the businesses in Australia, we do not consider a potential buyer would attribute any significant upside to the purchase price plus the investment in the one operating restaurant at this stage as the proof of concept has not yet been established and the franchise agreements require significant minimum capital expenditures which could result in a net liability to BRL if the franchises are not successful.

To date BRL has made the following investments in the franchise businesses:

- Payment of $2.2 million (US$1.7 million) under the Johnny Rockets franchise agreement. There is one franchise fee instalment payment of US$0.8 million, of the total $2.2 million payable, outstanding which is included as a liability in other NTA).
- Payment of AU$1.5 million (US$1.1 million) under the Wingstop franchise agreement.
- Capital expenditure of $0.9 million to open the one operating Johnny Rockets Store

- Funding of operating losses of $0.2 million related to the one Johnny Rockets store and $1.0 million in relation to head office operating and brand development costs for Johnny Rockets and Wingstop.

We note that our assessment of the fairness of the Proposed Transaction is not sensitive to alternate reasonable assumptions for the value of this business.

8.2.11 Other net liabilities of BRL

The other net liabilities of BRL as at 30 June 2018 are set out below:

Table 22: BRL other net assets/(liabilities) as at 30 June 2018

Other net liabilities	$'000
Net working capital	(7,169)
Receivables (related party)	66
Property, plant and equipment	2
Franchise fee payable	(1,118)
Borrowings (related party)	(146)
Total	**(8,365)**

Source: HML
Notes:
1. *The 30 June balance sheet for BRL is a draft only and has not been audited*
2. *Related party receivables exclude loans to Birdzz and Johnny Rockets as it is assumed the loan proceeds were used for capex and operations which have been included in the calculation of the investments in these businesses above*
3. *The franchise fee payable of US$833,333 has been converted at the current exchange rate of AU$0.7457 per USD as at 10 July 2018*

8.2.12 Impact of options on issue

As set out in Section 5.6, BRL has 1 million options on issue which are exercisable at $1.00 per share. We have estimated the dilutive impact of these options using the BOPM approach and our assessed value of the equity of BRL.

8.3 Exercise Price (value of consideration to be received on exercise)

As set out above, the exercise price represents the value at which the option can be exercised. In this instance the exercise price is represented by our assessed value of the JBFG and BRL Consideration.

If the Put Option is exercised, JBFG is obligated to provide a cash payment to HML of $67.16 million which we have utilised in determining the value of the Put Option.

Whilst this payment is secured over JBFG's interest in Crown Currency, there is a risk that the value of Crown Currency may not be sufficient to satisfy the full payment for exercising the Put Option as this amount exceeds of the midpoint of our assessed enterprise value of this business. This is partially mitigated by the ability to partially exercise the Put Option and that JBFG management expect that the existing store footprint will continue to grow which, if successfully executed, would likely result in further growth of the value of the business therefore the associated security.

To allow for the funding risks and the risk that the Put Option may only be partially exercised we have applied a discount to the value of the Put Option of 10% to 25%.

8.4 Other inputs

Other inputs into the BOPM are as follows:

- **Term**: based on the terms of the Put Option being up to five years.
- **Risk free rate**: based on yield to maturity of Australian Government bonds over the option term.
- **Volatility**: market-based input having regard to volatilities observed for comparable companies as set out in Appendix 13.
- **Dividend yield**: nil as the payment of any dividends by JBFG or BRL is uncertain over the term of the Put Option as the business is likely to reinvest in its expected growth.

8.5 Conclusion

Based on the above analyses we have estimated the fair market value of the Put Option as follows:

Table 23: Put Option Valuation Summary

$m	Low	High
Assessed value of Put Option	20.4	26.1

Source: Leadenhall analysis

We note that our conclusion on the fairness of the Proposed Transaction is not sensitive to any of the inputs into the valuation of the Put Option.

9 VALUATION OF JBTH CONVERTIBLE NOTES

9.1 Introduction and summary

As set out above, we have separately considered the value attributability to the debt and option components of the JBTH Convertible Notes.

9.2 Debt component

In assessing the fair market value of the debt component of the JBTH Convertible Notes we have selected a market yield approach. This is a common approach to value debt instruments whereby the valuer determines the fair value of a debt security based on an appropriate yield. The yield represents the discount rate that is applied to discount the interest and principal payments to present value over the term of the instrument to a present value. The yield selected must take into consideration market yields as well as company-specific risk factors.

In estimating an appropriate yield to maturity for the debt component of the JBTH Convertible Notes we have considered the following:

- The term of the instrument being 4 years.
- The credit characteristics and security of the instrument including the implied gearing levels as follows:
  - The Convertible Note implies gearing of over 50% based on our assessed value of JBTH (on a minority basis) pursuant to our SOTP analysis.
  - JBTH has limited current asset backing and cash flow to support any meaningful external debt.
  - If JBTH's growth strategy is executed, there is potential for significant revenue growth, which due to the scalable nature of JBTH's business, would generate significant cash flow. Furthermore, to the extent that JBTH executes on its growth strategy there is the potential for an IPO or other liquidity event in JBTH which could facilitate redemption of the notes.
- Analysis of the yields to maturity of trading in broadly comparable listed debt securities. In analysing comparable securities to assess an appropriate yield to maturity for the debt component we have we have considered global non-investment grade unsecured financial services companies with tenors of up to 7 years. As set out in Appendix the yield to maturity for the comparable instruments ranged between 4.1% to 13.3% with an average of 7.0%.

We note that due to there are limited directly comparable instruments.

Having regard to the above analysis as well as the capital structure of JBTH and its relatively small size and early stage of its operations, we have assessed a market yield for the debt component of the JBTH Convertible Notes to be 10% to 12%.

9.3 Option value

In estimating the value of the conversion option using the BOPM we have utilised the following inputs into the model:

- **Spot Price**: represents the value of the 16.86% interest in JBTH which the JBTH Convertible Notes can be converted to. We have utilised our assessed value of JBTH based on our SOTP analysis as set out in Appendix 3.
- **Exercise Price**: $12 million being the face value of the Convertible Note.
- **Dividend yield**: nil as the payment of any dividends by JBTH is uncertain over the term of the Convertible Note as the business is likely to reinvest in its expected growth.
- **Volatility:** of 40% based on analysis of the implied volatilities observed by the share trading of broadly comparable companies to JBTH as set out in Appendix 13.

9.4 Conclusion

Based on the above assumptions, our assessed value of the JBTH Convertible Notes as follows:

Table 24: JBTH Convertible Notes Valuation Summary

$'m	Low	High
JBTH Convertible Note - debt component	8.2	8.9
JBTH Convertible Note - option component	0.9	1.1
Total value of JBTH Convertible Note	**9.1**	**10.0**

Source: Leadenhall analysis

We note that alternate reasonable assumptions for the valuation of the JBTH Convertible Notes have no impact on our conclusion on the fairness of the Proposed Transaction.

9.5 JBTH Exclusive Trading Agreement

HML currently executes all trades through JBTH and related entities. The JBTH Exclusive Trading Agreement formalises this relationship and commits HML to exclusively utilise JBTH to execute all trades for a period of five years. The agreement does not include any minimum or maximum volume requirements and fees charged to HML must be equal to or less than the average fee that would be charged by third party providers. The agreement also includes minimum service levels to be provided by JBTH, and termination rights for cause due to inadequate services, default of JBTH, etc.

Based on the terms of the JBTH Exclusive Trading Agreement, in particular the lack of specific volume commitments and linkage to market pricing (which is subject to annual review) the agreement appears to be representative of arm's length terms. We have therefore assessed the financial benefit provided by HML for entering the JBTH Exclusive Trading Agreement as nil.

10 EVALUATION

10.1 Summary

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- Assessed whether the Proposed Transaction is fair by comparing the fair market value of the financial benefit to be provided by HML to JBFG (being $1 as consideration for the Put Option and entering into the JBTH Exclusive Trading Agreement) to the financial benefit to be received by HML (being the value of the Put Option and the JBTH Convertible Note).
- Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages.

Based on the proceeding analysis we have assessed the Proposed Transaction as fair and reasonable.

10.2 Fairness

Our fairness assessment of the Proposed Transaction is summarised below.

Table 25: Fairness summary

Fairness summary		
$m	**Low**	**High**
Value of Put Option	20.4	26.1
Value of JBTH Convertible Note	9.1	10.0
Total financial benefit received by HML	**29.5**	**36.2**
Consideration for Put Option	-	-
Value foregone by entering Exclusive JBTH Trading Agreement	-	-
Total financial benefit provided by HML	**-**	**-**
Net financial benefit received by HML	**29.5**	**36.2**

Source: Leadenhall analysis

As the Proposed Transaction is fair it is by definition reasonable. However, we have also considered the significant advantages and disadvantages of the Proposed Transaction below.

10.3 Reasonableness

10.3.1 Advantages

We have identified the following significant advantages to Non-Associated Shareholders of the Proposed Transaction:

- **Flexibility to consider alternate transactions in the future**: As the Proposed Transaction provides HML the option to sell its interest in JBFG and BRL, to the extent the outlook for these businesses improve, HML retains the flexibility to consider holding the investments over the longer term to consider alternate transactions.
- **Pathway to reduce exposure to unlisted investments**: The Proposed Transaction is in line with HML's stated strategy to reduce its exposure to unlisted investments. Whilst the Proposed Transaction does not provide immediate liquidity there is a pathway to realise HML's stake in JBFG and BRL in their entirety.
- **Potential for distributions**: Coupon payments to be received from the JBTH Convertible Notes may provide additional yield for HML investors relative to existing investments in JBFG and BRL which are not anticipated to pay dividends in the near-term as profits are expected to be re-invested.

- **Potential for a re-rating of HML shares**: Whilst HML has not traded since June 2017, it is possible that when the trading suspension is lifted, the Proposed Transaction, if approved, may result in a re-rating of HML shares. In particular, the terms of the Proposed Transaction may allow investors to more readily attribute value to HML's unlisted investments.

10.3.2 Disadvantages

We have identified the following significant disadvantages to Non-Associated Shareholders of the Proposed Transaction:

- **Crystallisation of significant performance fees to JBL**: implementation of the Proposed Transaction will result in a material increase in the NTA of HML (based on the value of the Put Option and the JBTH Convertible Note) which will crystallise a performance fee payable to JBL which is estimated to be $7.5 million. Whilst this fee is determined based on the existing management agreement between HML and JBL, the Proposed Transaction will likely crystallise the fee without any proceeds from realising an investment. JBL have advised that they will defer payment of any performances fees until sufficient liquid assets are available within HML.
- **Risks associated with the redemption of the JBTH Convertible Note:** Redemption of the JBTH Convertible Notes (rather than conversion into additional JBTH shares) is most consistent with HML's strategy of reducing its exposure to unlisted investments. However, funding of any intended redemption of these notes at maturity is subject to significant risks due to the early stage nature of the JBTH business and that JBTH intends to issue $13.5 million of similar instruments to another entity (and there are limited restrictions on JBTH issuing similar instruments in the future). Furthermore, it is envisaged that HML's security over certain assets of JBTH (namely Genesis) will be subordinated to the other convertible note holder. There is therefore a risk that JBTH will be unable to fund any redemption request for HML in the future.
- **Potential loss of upside from early stage businesses**: JBFG includes a number of early-stage businesses which have significant growth potential, namely JBTH, AssetChain and JB FX. If the Proposed Transaction proceeds, and the Put Option is exercised, Shareholders would lose this exposure (except in the case of JBTH whereby HML may still participate in this potential through the JBTH Convertible Notes but on a diluted basis). Whilst our assessed value includes an element of this upside potential, some shareholders may have a more optimistic view of these businesses relative to our assessed value.
- **JBTH Exclusive Trading Agreement risks**: As market prices can vary depending on relationship factors and the specific volumes and types of trades undertaken, it is possible that HML could procure lower rates in the absence of the JBTH Exclusive Trading Agreement. However, this risk is mitigated by the annual review process to ensure that pricing is no worse than market rates.

10.3.3 Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

10.4 Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

10.5 Chapter 2E considerations

Chapter 2E requires public companies and responsible entities of registered managed investment schemes to obtain member approval to provide a financial benefit to a related party, subject to certain exceptions.

We have prepared our report on the basis that JBFG, BRL, JBTH, Mr Stuart McAuliffe, Mr John McAuliffe, Mr Ross Patane and their associated entities by virtue of their directorships and shareholdings (direct and indirect) in JBFG are related parties for the purposes of Chapter 2E.

"Financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes a public company paying money or issuing securities to the Related Party. In determining whether a financial benefit is being given, it is necessary to look to the economic and commercial substance of a transaction (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Accordingly, the Related Parties may receive the following financial benefits as a consequence of the Proposed Transaction:

- Any financial benefits flowing to JBFG as a consequence of the Proposed Transaction by virtue of their shareholding in JBFG. This includes entering into the JBTH Exclusive Trading Agreement and receipt of the Put Option fee.
- JBL will receive additional performance fees of approximately $7.5 million to the extent that the Proposed Transaction results in an increase in HML's net assets. This has been calculated based on the terms of the existing management agreement between HML and JBL.

As set out above we have estimated the fair market value of the Put Option and the JBTH Exclusive Trading Agreement which results in a net financial benefit to HML.

APPENDIX 1: GLOSSARY

Term	Meaning
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
BOPM	Black-Scholes option pricing model
BRL	Bartholomew Roberts Pty Limited
Capital Credit	Capital Credit Pty Ltd
CFME	Capitalisation of future maintainable earnings method
Corporations Act	The Corporations Act 2001
Crown Currency	The business operated by King's Currency Exchange Pty Ltd and Harnwei Pty Ltd
DCF	Discounted cash flow method
DLOC	Discount for lack of control
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
Genesis	Genesis Proprietary Trading Pty Ltd
HML	Henry Morgan Limited
IER	Independent Expert's Report
IPO	Initial public offering
IPOA	Implementation and Put Option Agreement
JBFG	JB Financial Group Pty Ltd
JBFG and BRL Consideration	$67 million to be paid to HML for the sale of their interest in JBFG and BRL upon exercise of the Put Option
JBFG and BRL Sale	Sale of HML's interest in the JBFG and BRL upon exercise of the Put Option
JBTH	JB Trading House Pty Ltd
JBTH Convertible Note	A convertible note issued by JBTH with a face value of $12 million with interest paid at 4.1% per annum
JBTH Exclusive Trading Agreement	Agreement whereby HML agrees to exclusively use JBTH to execute all trades involving derivatives, forward contracts and contracts for difference
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
LIC	Listed investment company
Listing Rule 10	ASX Listing Rule 10
NOM	Notice of Meeting
Non-Associated Shareholders	Shareholders not associated with JBFG
NPAT	Net profit after tax
PBT	Profit before tax
PE	Price to earnings
Proposed Transaction	Issue of the Put Option, Execution of the JBTH Exclusive Trading Agreement and granting of the JBTH convertible note

Term	Meaning
Put Option	Put option granted by JBFG to HML in relation to divesting its interest in JBFG and BRL
RG111	Regulatory Guide 111: Content of Expert Reports
R&S	Risk and Security Management Pty Ltd
Saxo	Saxo Capital Markets (Australia) Pty Ltd
Shareholders	HML's shareholders not associated with JBFG
SOTP	Sum of the parts
Specific Security Deed	Deed setting out the provisions of the security over Crown Currency granted to HML in respect of the JBFG and BRL Consideration

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- The discounted cash flow method
- The capitalisation of earnings method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- Early stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- There are no suitable listed company or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- Orderly realisation
- Liquidation value
- Net assets on a going concern basis
- Replacement cost
- Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- An enterprise is loss making and is not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

Black Scholes Option Pricing Model

The Black-Scholes Option Pricing Model is typically used to value "plain vanilla" European options. It is also used to value American options in the circumstances where the value of holding the call option at a given time is greater than the net present value of cash flows that would be generated by immediate exercise (for example, if there is no dividend).

Selected methodologies for JBFG and BRL SOTP Analysis

Each of the JBFG businesses have different risks and growth profiles. As such, we have utilised a sum of the parts approach to valuing JBFG which combines the individual value of each business to reach a valuation for JBFG as a whole. Our approach to valuing each of the businesses is set out below.

Crown Currency

In selecting an appropriate valuation methodology to value Crown Currency, we have considered the following factors:

- Crown Currency is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not appropriate.
- There are some listed companies and comparable transactions with similar business exposure and near-term growth prospects to Crown Currency as well as companies operating in comparable industries with similar profit drivers. Thus, we consider the CFME approach to be appropriate.
- Crown Currency has experienced significant growth and is expecting strong growth to continue over the medium term. A DCF approach can capture this expected earnings growth and the associated costs. As the company has a robust roll-out plan with detailed store-by-store projections which have been corroborated by actual experience in recent store roll-outs, we consider that a DCF basis can be undertaken using the long-term financial projections developed by Crown Currency on a reasonable basis.
- Crown Currency is not listed, thus market trading cannot be directly observed.

Based on the above, we have selected a CFME approach as the primary valuation methodology with a DCF as a cross-check.

JBTH

In selecting an appropriate valuation methodology to value JBTH, we have considered the following factors:

- JBTH is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not appropriate.
- There are some listed companies and comparable transactions with similar business exposure and near-term growth prospects to JBTH as well as companies operating in comparable industries with similar profit drivers. Thus, we consider the CFME approach to be appropriate.
- JBTH is expecting significant growth which may be better captured with a DCF analysis. However, financial projections beyond FY19 are not available and we do not consider that a DCF approach would be any more reliable than the CFME approach.
- In respect of the Genesis business that forms part of JBTH we have considered the price paid by JBFG to acquire the business in September 2017 and any changes in the business since this date.

Based on the above, we have selected the CFME approach to value JBTH.

R&S

In selecting an appropriate valuation methodology to value R&S, we have considered the following factors:

- R&S is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not appropriate.
- R&S is a mature business, despite some recent trading issues relating to the rebranding program. There are some listed companies and comparable transactions with similar business exposure and near-term growth prospects to R&S as well as companies operating in comparable industries with similar profit drivers. Thus, we consider the CFME approach to be appropriate.
- R&S have not prepared forecasts beyond FY19 as such a DCF approach cannot be applied.
- There are relatively recent transactions for the sale of R&S, first the acquisition by BRL in and secondly the sale of R&S to JBFG.

Based on the above we have selected the CFME approach to value R&S with a cross-check based on the recent transactions.

JBFX Wholesale

In selecting an appropriate valuation methodology to value JBFX Wholesale, we have considered the following factors:

- JBFX Wholesale is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not appropriate.
- There are some listed companies and comparable transactions with similar business exposure and near-term growth prospects to JBFX Wholesale as well as companies operating in comparable industries with similar profit drivers. Thus, we consider the CFME approach to be appropriate.
- JBFX Wholesale is expecting significant growth which may be better captured with a DCF analysis. However, financial projections beyond FY19 are not available and we do not consider that a DCF approach would be any more reliable than the CFME approach.

Based on the above, we have selected the CFME approach to value JBFX Wholesale.

Growth Point Capital

In selecting an appropriate valuation methodology to value Growth Point Capital, we have considered the following factors:

- Growth Point Capital is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not appropriate.
- There are some listed companies and comparable transactions with similar business exposure and near-term growth prospects to Growth Point Capital as well as companies operating in comparable industries with similar profit drivers. Thus, we consider the CFME approach to be appropriate.
- Growth Point Capital is expecting significant growth which may be better captured with a DCF analysis. However, financial projections beyond FY19 are not available and we do not consider that a DCF approach would be any more reliable than the CFME approach.

Based on the above, we have selected the CFME approach to value Growth Point Capital.

Fintech

In selecting an appropriate valuation methodology to value the Fintech business, we have considered the following factors:

- The Fintech business is in the start up phase of its lifecycle and to date it has not generated any revenue. As such the CFME approach is not appropriate.
- The Fintech business has a long term approach to revenue and profit generation, which includes engaging millennials with minimal financial services needs, entrenching them in the financial services platform being developed to become their trusted service provider as the move through life stages where a greater number and value of financial services products are required. Due to this long term view, at this stage of development, there is no reasonable basis on which to forecast the amount and timing of any cash flows that may be generated by the Fintech division. As such a DCF approach cannot be applied.
- JBFG have made a considerable investment in the Fintech division which has resulted in the development of a technology product that would be saleable in its current state. As such the asset approach based on the reproduction cost is appropriate.

Based on the above, we have selected the asset approach using a reproduction cost to value the Fintech business.

BRL

In selecting an appropriate valuation methodology to value BRL, we have considered the following factors:

- Given the different investments of BRL we have adopted a SOTP approach.
- BRL's Investment in JBFG has been assessed as per above.
- The fast food franchise business is in its early stages with one store opened to date which is yet to operate profitably. We consider that at this stage of development a purchaser would be unlikely to attribute a greater value to the franchise assets than the cost incurred in establishing the businesses. As such, we have selected the asset approach using a reproduction cost to value BRL's franchise business.

APPENDIX 3: JBFG SOTP VALUATION SUMMARY

A summary of our SOTP analysis for JBFG is set out in the table below:

Table 26: SOTP value of JBFG

Assessed value of JBFG (minority value)							
A$'m	**Earnings**	**Selected earnings**		**Selected multiple**		**Value**	
Business unit	**basis**	**Low**	**High**	**Low**	**High**	**Low**	**High**
Crown Currency	EBIT	7.0	8.0	8.5x	9.0x	59.5	72.0
JB Trading House	NPAT	4.0	4.5	11.0x	12.0x	44.0	54.0
R&S	EBIT	2.1	2.5	7.0x	7.5x	14.7	18.8
JBFX Wholesale	EBIT	0.9	1.1	6.5x	7.0x	5.9	7.7
Growth Point Capital	NPAT	0.8	1.0	6.5x	7.0x	5.2	7.0
AssetChain	n/a					1.7	1.7
Total						**130.9**	**161.1**
Consolidated net cash (debt)						(10.1)	(8.2)
Surplus assets						1.9	1.9
Non-operating liabilities						(4.0)	(4.1)
Total equity value (minority basis)						**118.7**	**150.7**
Number of shares						26.9	26.9
Value per JBFG share (minority value)						**$ 4.41**	**$ 5.60**

Source: Leadenhall analysis

Maintainable earnings

In assessing the value of each business of JBFG we have primarily considered the CFME method as discussed above. Determining the fair market value using the CFME method requires consideration of the following factors:

- An appropriate level of maintainable earnings
- An appropriate earnings multiple
- The value of any non-operating assets and liabilities

The following measures of earnings are often used for business valuations:

- **Revenue**: mostly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- **EBITDA**: most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.
- **EBITA**: in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.
- **EBIT**: while commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- **NPAT**: relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value the whole business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected EBIT to value Crown Currency, R&S and JBFX Wholesale because:

- Earnings multiples based on EBITDA and EBIT are not affected by different financing structures which impact multiples of net profit after tax.

- The varying capital intensity of the comparable companies means that an analysis of EBIT is a more reliable measure than the multiples of EBITDA.
- Third party forecasts of EBITA for comparable companies are not readily available making EBITA multiples difficult to calculate without making assumptions about ongoing levels of depreciation and amortisation (i.e. most brokers do not separately forecast depreciation and amortisation).

We have selected NPAT (commonly referred to as price-earnings or "PE" multiples) to value JBTH and Growth Point Capital because:

- A number of comparable companies utilise leverage as part of trading activities and/or include broader lending activities with their clients. Analysing multiples ignoring the capital structure of the comparable companies therefore may not be meaningful.
- Third party forecasts of EBITDA or EBIT for some comparable companies are not readily available making multiples other than PE difficult to calculate without making subjective assumptions.

Earnings multiples

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money. Multiples can be derived from three main sources:

- The trading prices of companies that are engaged in the same or similar lines of business and that are actively traded on a public stock market.
- From transactions of significant interests in companies engaged in the same or similar lines of business.
- It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations.

We have conducted an analysis of both public company trading multiples and transaction multiples in order to determine appropriate earnings multiples to apply to the valuation of JBFG's businesses.

APPENDIX 4: VALUATION OF CROWN CURRENCY

Introduction

We have assessed the fair market value of Crown Currency using the CFME method, with a broad cross-check to a high level DCF analysis. This assessment has been made on a minority basis.

Level of maintainable earnings

In assessing an appropriate level of maintainable earnings for Crown Currency we have considered the following:

- Near-term projections for the business prepared by JBFG management which includes detailed assumptions about the number of new stores, ramp-up profile of existing stores as well as the expected cost structure for each store. These projections have been based on recent experience for existing stores adjusted for location and the scale of the portfolio.
- The number of stores open and the level of maturity of each of these stores as set out in the table below:

Table 27: Number and maturity of Crown Currency Stores as at 30 June 2018

	3+ years	2-3 years	1-2 years	less than 1 year	After 30 June 2017
Number	10	1	2	2	14
Average revenue FY17 ($'000)	612.2	595.0	344.8	n/a	n/a
Average FY18F revenue ($'000)	667.0	778.0	414.0	325.0	n/a

Notes:

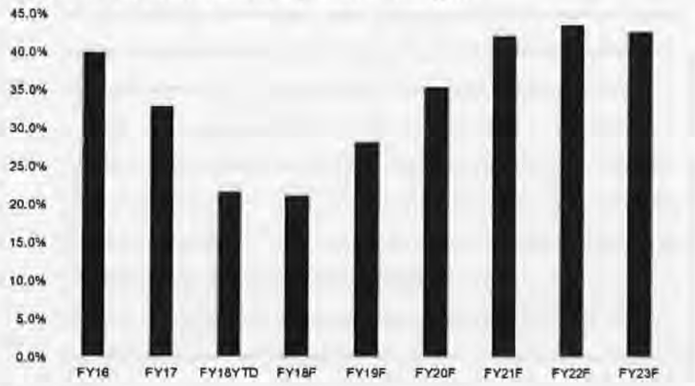
1. The number of years a store has been open has been determined as at 30 June 2017

2. FY18 forecast is based on 8 months of actual performance and four months of forecast performance.

As at 30 June 2018 there were 15 mature stores that have been operating for more than one year and 13 opened stores that have been open for less than one year.

- The number of stores forecast to be opened in FY19 (nine new stores) and management's progress in identifying and rolling out these stores.
- The track record of Crown Currency opening new stores and their trajectory to mature profitability.
- Historical and forecast EBIT margin as set out in the table below:

Figure 6: Crown Currency EBIT margin



Source: HML

The decline in EBIT margin in FY18 is due to the large number of new stores opened during this period. As these stores mature their EBIT margin will increase, having a positive impact on the EBIT margin of the Crown Currency business as a whole.

- YTD performance through the eleven months to May 2018 suggests Crown Currency is on target to meet the FY18 budget.

Based on the above we estimated maintainable EBIT for a portfolio of 37 (15 existing mature stores operating for more than one year, 13 new stores operating for less than one year and nine new stores forecast to open in FY19) mature stores as follows:

Table 28: Estimated maintainable earnings for a portfolio of 37 mature Crown Currency Stores

Earnings component	Low $'000	High $'000
Revenue		
- Existing 15 stores	9,100.0	9,100.0
- 22 new stores at mature run rate	11,000.0	12,100.0
Total revenue	**20,100.0**	**21,200.0**
EBIT margin	34%	37%
EBIT	**6,834.00**	**7,844.00**

Source: HML and Leadenhall Analysis

Notes:

1. The existing stores are the 15 stores operating as at 30 June 2017.

2. Existing store revenue based on FY18 forecast revenue (eight months actual plus four months forecast) plus a mature growth rate of 2.5%.

3. Run rate for the new stores of $500,000 to $550,000 has been estimated with consideration given to historical growth profile of Crown Currency stores as well as the inherent uncertantiy of new stores being able to replicate historical growth rates.

4. EBIT margin based on mid range of forecast EBIT margins between FY19 and FY23 which range from 28.0% to 42.5%.

After considering the historical earnings, forecast earnings and margins of Crown Currency and comparable companies we have selected the following maintainable earnings:

Table 29: Selected maintainable earnings for Crown Currency

$m	EBIT Low	EBIT High
Selected maintainable earnings	7.0	8.0

Source: Leadenhall analysis

Earnings multiple

In respect of public company trading multiples, we note that there are limited companies which operate in the same segments as Crown Currency listed on the ASX. However, there are a number of listed Australian companies that are exposed to inbound/outbound travel as well as a number of international currency retailers.

The following table sets out the historical and forecast trading EBIT multiples for the selected comparable companies.

Table 30: Trading multiples of comparable companies

Name	Location	EV (AUS'm)	EBIT Growth		EBIT Margin		EBIT Multiple	
			Current	Forecast	Current	Forecast	Current	Forecast
Foreign Exchange								
The Western Union	United States	15,687.8	16%	3%	20%	20%	10.1x	9.8x
OFX Group	Australia	380.1	5%	5%	21%	21%	14.5x	13.9x
FairFX Group	United Kingdom	225.3	1576%	108%	28%	39%	15.6x	7.5x
Currency Exchange International	United States	132.0	53%	32%	24%	29%	10.0x	7.6x
High							**15.6x**	**13.9x**
Low							**10.0x**	**7.5x**
Average							**12.6x**	**9.7x**
Median							**12.3x**	**8.7x**
Australian Travel								
Flight Centre	Australia	5,527.9	16%	9%	14%	14%	14.4x	13.2x
Corporate Travel Management	Australia	2,924.2	35%	18%	29%	30%	*26.5x*	*22.5x*
Webjet	Australia	1,675.8	78%	37%	24%	27%	*24.9x*	*18.2x*
Helloworld Travel	Australia	461.5	44%	20%	14%	16%	9.5x	7.9x
SeaLink	Australia	497.3	-7%	26%	16%	16%	14.3x	11.3x
High							**26.5x**	**22.5x**
Low							**9.5x**	**7.9x**
Average							**17.9x**	**14.6x**
Median							**14.4x**	**13.2x**
Average (excluding outliers)							**12.7x**	**10.8x**

Source: S&P Capital IQ and Leadenhall analysis as at 26 June 2018

Notes:

1. In the table above, current refers to the current financial year for which actual results are not yet available (generally FY18) and forecast relates to the next financial year (generally FY19). The comparable companies have a mix of 31 December and 30 June financial year ends.

2. There is no consensus EBIT forecast for FairFX Group. As forecast EBITDA is available, we have applied actual FY17 depreciation and amortisation to estimate forecast EBIT for the current and forecast years for the purpose of our analysis.

3. Outliers are denoted in italics

We have considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of Crown Currency:

- Based on forecast revenue and margins, Crown Currency is most similar in size to the smaller comparable companies in terms of enterprise value. All other things being equal, smaller companies trade on lower multiples. The most comparable companies in terms of size are FairFX Group and Currency Exchange International.
- Whilst a significant amount of growth has been allowed for in the earnings, Crown Currency still expects relatively robust growth in the medium term as it continues to build its store portfolio from 37 in FY19 to up to 60 stores identified/targeted to be opened in the medium term. The most comparable companies in terms of growth are the OFX Group, Currency Exchange International and Flight Centre. All other things being equal, companies with greater growth potential trade on higher multiples.
- Crown Currency has higher margins than the comparable companies. All other things being equal this would lead to a multiple at the higher end of the observed range. The most comparable company in terms of EBIT margin is FairFX Group.
- In general, the travel companies have higher multiples than the foreign exchange companies. A combination of factors including size (the travel companies are generally larger) and diversification (the travel companies tend to have a more diverse product offering and operate in multiple jurisdictions) are

like to contribute to this. We consider that an appropriate multiple for Crown Currency would be closer to the observed multiples for the foreign exchange comparable companies than the travel companies.

- Of the four comparable companies operating in the foreign exchange industry, only one, Currency Exchange International, operates foreign exchange retail outlets. Currency Exchange International also has an extensive wholesale foreign exchange network outside of its retail establishments. FairFX does provide retail services, however it does not operate storefronts instead sending orders for physical currency by registered mail. These are the two most similar businesses to Crown Currency from an operational perspective.
- The average forecast EBIT multiple for the foreign exchange comparable companies is 9.7x and the median is 8.7x.

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples, from Australia and overseas. The table below shows the historical (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data.

Table 31: Transaction Multiples

Target	Acquirer	Date	Target Country	Ent. Value (AU$'m)	Historical multiple EBITDA	Historical multiple EBIT	Forecast multiple EBITDA	Forecast multiple EBIT
Crown Currency	JBFG	Dec-16	Australia	14.9	n/a	n/a	5.7x	5.9x
City Forex	FairFX Group	Feb-18	United Kingdom	10.7	8.6x	n/a	n/a	n/a

Source: S&P CapitalIQ, HML and Leadenhall analysis
Notes:
1. The forecast multiple for the Crown Currency transaction is based on FY17 actual performance as forecast performance as at the date of the transaction was not avaialble. We consider this to be a resonable proxy for the purposes of our analysis

We have considered the following factors in relation to the above transaction multiples in determining an appropriate earnings multiple to apply to the valuation of Crown Currency:

- The comparable transactions are control transactions. As such the implied multiples include a premium for control. The transaction multiples would be lower on a minority basis. For illustrative purposes, applying a minority discount of 20% to the City forex transaction would result in a historical EBITDA multiple of 6.9x.
- Crown Currency has grown significantly since the acquisition in 2016 during which time management has demonstrated an ability to roll out a significant growth strategy whilst still maintaining strong performance in existing stores. On this basis, a current multiple for Crown Currency would be higher than implied by the acquisition by JBFG.
- Both of the targets are smaller than Crown Currency which indicates an appropriate multiple for Crown Currency would be higher than those shown above (after adjusting for a control premium)

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of Crown Currency are summarised below:

- We have placed more reliance on the public company trading multiples as guidance in selecting earnings multiples on a minority basis, in particular the multiples of those companies operating in the foreign exchange industry.
- Although we have allowed for significant growth in the selected maintainable earnings, we consider that there is still potential for further growth in the short to medium term through store roll-outs in addition to those contemplated in our maintainable earnings as well as additional growth from the existing stores which should be considered when selecting an earnings multiple.
- Although Crown has successfully opened a large number of stores in the short period since being acquired by JBFG, there is still some uncertainty as to whether these and other new stores will be able to perform at the same level as the existing portfolio. This could be seen as a risk until these stores reach maturity.

Based on the consideration discussed above, we have selected the following earnings multiples to apply to our valuation of Crown Currency (on a minority basis).

Table 32: Selected earnings multiples

	EBIT multiple	
	Low	High
Selected multiple	8.5x	9.0x

Source: Leadenhall analysis

Valuation summary

Based on the selected maintainable earnings and multiples, the resulting value of Crown Currency on a minority basis is set out in the table below:

Table 33: Summary of Crown Currency CFME analysis

	Low	Hgh
Selected maintainable earnings	7.0	8.0
Selected earnings multiple (minority)	8.5x	9.0x
Enterprise value (minority basis)	**59.5**	**72.0**

Source: Leadenhall analysis

DCF Analysis

Crown Currency management have prepared a six-year forecast for the period FY18 to FY23 (the FY18 forecast includes eight months of actual performance). We have prepared a high level DCF analysis based on this model (we have simplified some of the assumptions for the purposes of our analysis). The key assumptions adopted in the DCF analysis are as follows:

- First year revenue for a new store of $190,000 with a growth rates in line with the historical ramp up profile for new stores.
- Mature store revenue growth of 3% per annum.
- Direct labour costs of 25% of revenue.
- Overheads based on historical cost and grown at a rate between 3% and 5% depending on correlation with portfolio size.
- Terminal growth rate of 3% to reflect intention to continue to grow the store portfolio after the forecast period.
- Capex of $340,000 per new store.
- Discount rate of 13%.
- Discount for lack of control of 20%.

Based on the above assumptions the value of Crown Currency is $62.1 million which is within our CFME range (both before and after capex for the new stores is taken into account).

APPENDIX 5: VALUATION OF JBTH

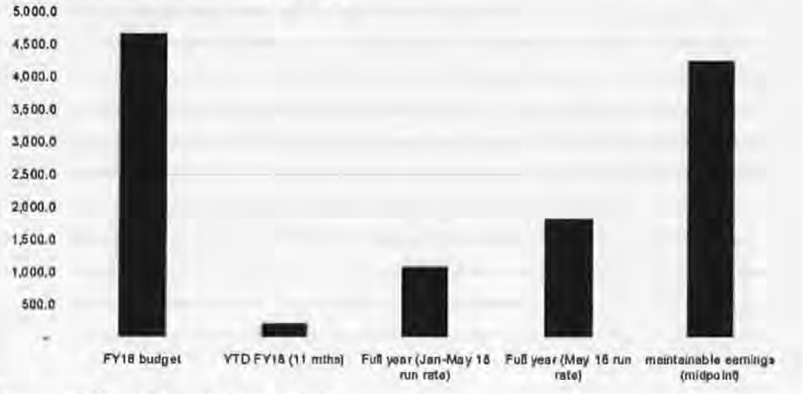
Maintainable earnings

As discussed above, JBTH (Comprising JB Markets, JB Alpha and Genesis) is in its early stages of growth and has only been trading profitably in recent months after a period of developing the trading platforms, business processes and resourcing to scale the business. Significant growth is anticipated by JBFG management in the near term through a recent joint venture initiative with Saxo Capital (launched in April) and additional volumes from the expected launch of new funds by JBL and/or related parties. As a consequence, determining a level of maintainable earnings is subjective and there are likely to be a range of assumptions which would be reflective of market participant assumptions.

When considering an appropriate level of future maintainable earnings for JBTH we have considered the following factors:

- Historical and forecast performance. A summary of our analysis of historical and forecast performance is set out in the table below:

Figure 7: JBTH NPAT ($'000)



Source: HML and Leadenhall analysis

Notes:

1. *The figures above include JB Markets and Genesis unless otherwise noted.*
2. *The full year run rates do not include Genesis as YTD performance has been negative which would distort the positive trajectory of JB markets as a whole.*
3. *The budget provided does not include NPAT. We have estimated NPAT based on a 30% tax rate.*
4. *The maintainable earnings refers to the mid-point of the selected maintainable earnings of $4.25 million.*
5. *We note that FY19 budgeted NPAT is substantially higher than the FY18 budget and the midpoint of the selected maintainable earnings.*

- Genesis is a mature business with a history of profitable operation (NPAT of $0.7 million in FY16 and $0.1 million in FY17). However, poor trading conditions due to limited volatility in Australian debt markets, has resulted in Genesis recording a small loss in YTDFY18. Based on the profitable track record, we consider that the poor performance in FY18 is unlikely to continue and is predominantly caused by poor trading conditions. Increased volatility is expected to return to debt markets in the near future which will positively impact trading conditions.
- JBTH has recently entered into a Joint Venture arrangement with Saxo. The terms of this arrangement are commercial in confidence, however there is potential for material growth as a result of this partnership.
- The majority of income currently generated by JBTH is from brokerage services provided to clients of JBL, primarily HML and BHG. Whilst there is currently no exclusive agreement in place to provide these services, JB Markets and JBL have aligned interests in the growth of JB Markets and as such there is no reason to believe that the volumes from JBL clients would decline/cease in the future unless there was a change in management/ownership structure of JBL.
- The directors of JBL have progressed plans to launch new LIC's in the short and medium term, with similar trading strategies to HML and BHG, which will provide additional volumes to JBTH.

- To date very little revenue has been generated from third party clients (parties not managed by JBL). There is scope to increase this side of the businesses particularly in the futures broking area. A focus for JBTH in the short-term is the hiring of additional staff to drive third party revenue growth. This has included identification of a number of new potential hires for the business.
- We have been provided with the board approved budget for FY19 which anticipates substantial growth in the business over this period. However, we consider there are significant risks to achieving the anticipated, growth in particular:
  - The FY19 forecast assumes a sustained level of trading volumes at or above record levels for the business. Whilst the business has a short trading period, there is a risk that performance will not consistently perform at these levels, particularly as a similar growth profile was projected for FY18 but FY18 performance is likely to be behind budget by a significant amount.
  - The forecast growth is reliant on the launch of new LIC's which JBTH has no control over.
  - The inherent uncertainty in markets and trading volumes.
  - There is significant growth in revenue from third parties and from products other than futures broking, which to date have contributed very little to earnings. There is a risk that new client and product growth will not accelerate at the rate forecast.
- NPAT generated by Genesis has ranged between $nil and $0.7 million in recent periods. Having regard to this, the maintainable earnings implied by the recent arm's-length acquisition of the business, our discussions with Genesis management and review and analysis of near-term budgets we consider a maintainable level of NPAT for Genesis to be $0.3 million to $0.7 million
- We have prepared an analysis of potential near-term earnings scenarios for JBTH based on the following assumptions considering alternative growth in existing JBL-related FUM and total lots traded:
  - **Base :** full year trading at May 2018 run rate which results in NPAT of $1.8 million.
  - **Low growth**: growth of 3% per month in existing JBL FUM, a total of $20 million in new FUM in FY19, at opening FUM level 75,000 lots traded. This scenario results in NPAT of $2.8 million
  - **Medium growth:** growth of 3% per month in existing JBL FUM, a total of $20 million in new FUM in FY19, at opening FUM level 85,000 lots traded. This scenario results in NPAT of $3.5 million
  - **High growth:** growth of 3% per month in existing funds undermanagement ("FUM"), a total of $40 million in new FUM in FY19, at opening FUM level 75,000 lots traded. This scenario results in NPAT of $4.6 million
  - **FY18 budget:** FY18 budgeted NPAT was $4.7 million

After considering the above analysis we have selected the following maintainable earnings for JBTH in total.

Table 34: Selected maintainable earnings

$m	NPAT Low	NPAT High
Selected maintainable earnings	4.0	4.5

Source: Leadenhall analysis

In selecting our maintainable earnings for JBTH we have considered the recent run-rates for the business and the growth anticipated from the recent strategic alliance with Saxo, volumes from new investment vehicles expected to be established by JBL and the potential to grow third party clients. We note that our assessed earnings is significantly below the management approved FY19 budget for JBTH.

Earnings multiple

In respect of public company trading multiples, we note that there are limited companies which operate in the same segments as JBTH listed on the ASX. However, as the business operates in global markets we have also considered international companies with similar businesses.

The following table sets out the historical and forecast trading PE multiples for the selected comparable companies.

Table 35: Trading multiples of comparable companies

Company	Location	Market Cap (AU$'m)	NPAT Growth		NPAT Margin		PE Multiple	
			Current	Forecast	Current	Forecast	Current	Forecast
CME Group	United States	72,448.5	-41%	5%	56%	56%	23.5x	22.3x
E*TRADE	United States	22,717.6	60%	8%	33%	33%	18.1x	16.7x
Interactive Brokers	United States	7,386.3	128%	14%	9%	9%	33.2x	29.2x
Swissquote Group	Switzerland	1,124.7	18%	16%	22%	24%	18.5x	16.0x
Compagnie Financiere Tradition	Switzerland	985.1	n/a	n/a	n/a	n/a	n/a	n/a
Moelis Australia	Australia	953.3	20%	6%	29%	29%	26.9x	25.4x
CMC Markets	United Kingdom	936.7	-3%	25%	20%	24%	15.1x	12.0x
Oppenheimer Holdings	United States	508.7	43%	11%	3%	4%	12.1x	10.9x
GAIN Capital Holdengs	United States	482.1	n/a	12%	10%	11%	9.9x	8.9x
BinckBank	Netherlands	476.9	242%	-13%	21%	18%	10.1x	11.7x
ABG Sundal Collier	Norway	459.6	n/a	n/a	n/a	n/a	n/a	n/a
Bell Financial	Australia	204.8	n/a	n/a	n/a	n/a	n/a	n/a
Lang & Schwartz	Germany	167.9	n/a	n/a	n/a	n/a	n/a	n/a
High							**33.2x**	**29.2x**
Low							**9.9x**	**8.9x**
Average							**18.6x**	**17.0x**
Median							**18.1x**	**16.0x**
Interquartile mean							**17.5x**	**15.7x**

Source: S&P Capital IQ and Leadenhall analysis as at 26 June 2018

It should be noted that the above multiples are based on trading of minority shareholders.

We have considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of JBTH:

- Based on forecast revenue and profitability, JBTH would be smaller than all of the comparable companies. All other things being equal, smaller companies trade on lower multiples. The most comparable companies in terms of size are Lang & Schwartz and Bell Financial although both of these companies are larger than JB Markets and have an established track record.
- JB Markets, the key driver of JBTH growth, is still in the start-up phase of its lifecycle with significant earnings growth forecast in the short to medium term. Some of this potential growth has been allowed for in the maintainable earnings. However, there is potential for significant additional growth, from additional funds expected to be launched by JBL, the partnership with Saxo and the potential to generate meaningful brokerage from new third-party clients.
- JB Markets has a higher forecast NPAT margin than most of the comparable companies (53% based on management forecast). All other things being equal this would lead to a multiple at the higher end of the observed range. The most comparable companies in terms of NPAT margin are CME Group which has a forecast NPAT margin of 56% and E*Trade which has a forecast NPAT margin of 33%. However, actual NPAT margins in the two best performing months of FY18, January and April, were 36% and 38% respectively.
- Of the two Australian companies, Bell Financial is the most comparable in terms of size and operations as it generated over half of FY17 revenue from broking services. However, half of broking revenue was generated from an online broking platform for self-executing clients which is lower margins than traditional full-service broking. Bell recorded negligible growth between FY11 and FY14 and again in FY16. Stronger performance was achieved in FY15 and FY17, however there appears to be limited near-term growth which has resulted in a decline in PE multiple from a high of around 14x in 2007 to 9.9x in FY17. Given JB Markets focus on the higher margin and less competitive futures brokerage and

the relative growth trajectory for JB Markets we consider that a reasonable multiple for JB Trading house would be in excess of the 9.9x FY17 Bell multiple.

- The other Australian company, Moelis Australia, has had a dramatic increase in share price since listing on the ASX in April 2017. Upon listing Moelis had a market cap of $293.8 million on a 10.3x forecast EBIT multiple. Since then, actual FY17 performance outperformed forecasts in the prospectus by 46% at a revenue level, 77% at an EBITDA level and 73% at an EBIT level. In terms of operations, Moelis has more diversified product offering than JB Markets and only derived 13.6% of income from equities broking and research in FY17. Moelis is currently trading at a multiple towards the higher end of the comparable companies. The market seems to be factoring in continued impressive growth based of recent performance. Given, the size of Moelis, its track record of achieving growth, diversified product offering and client base we consider that a reasonable multiple for JBTH would be considerably lower than Moelis.
- The average forecast PE multiple for the foreign comparable companies is 16.2x and the median is 15.1x. The interquartile mean (the average excluding the top and bottom 25% of values) is 15.7x.

In addition to our analysis of trading multiples, we have also searched for relevant transaction multiples, from Australia and overseas. We have identified a number of comparable transactions, as set out in the table below.

Table 36: JBTH comparable transactions

Target	Acquirer	Date	Target Country	Equ. Value (AU$'m)	PE multiple historical	PE multiple forecast
KCG Holdings	Virtu Financial Inc	Jul-17	US	1,852.9	6.3x	n/a
Newedge Group	Societe Generale	May-14	France	779.1	39.3x	n/a
Saxo Bank A/S	TPG Capital	Dec-11	Denmark	1,787.1	22.1x	n/a
optionsXpress Holdings	Charles Schwab Corporation	Sep-11	US	1,023.1	19.8x	n/a
TradeStation Group Inc.	Monex Group Inc	Jun-11	US	366.8	40.1x	n/a
Average					**25.5x**	
Median					**22.1x**	

Source: S&P CapitalIQ and Leadenhall analysis

In relation to the comparable transactions we note the following:

- Some of the transactions occurred a number of years ago and as such have limited relevance.
- There is limited publicly available information and as such forecast PE multiples implied by the transactions cannot be determined, this limits the usefulness of the information.
- The comparable transactions show a large range of historical PE multiples with an average of 25.4x.
- It is likely that the comparable transactions include a premium for control. As such an equivalent minority multiple would be less than the control multiples shown in the table above.
- All of the target companies are much larger than JBFG. All other things being equal larger companies trade on higher multiples.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of JBTH are summarised below:

- We have placed little reliance on the comparable transaction due to the significant period of time since the transactions took place, the discrepancy in size between JBFG and the target companies and the wide range of observed multiples.
- JBFG acquired Genesis for $11.2 million in September 2017. As part of the acquisition process, on 26 June 2017, HML announced Genesis' expected FY17 EBIT was $1.2 million. In a subsequent announcement on 15 August this expectation was revised to expected FY17 EBITDA of approximately $0.7 million, with FY18 EBITDA forecast to be $1.7 million. Based on these expectations, the historical EBITDA transaction multiple was 16.0x and the forecast EBITDA multiple was 6.6x. Assuming limited depreciation and a tax rate of 30% this would translate to a forecast PE multiple of 9.4x.
- Whilst most of the comparable companies do not have the same potential for growth as JBTH, they are larger (all other things being equal larger companies trade on higher multiples), more diversified with less

customer concentration risk and have a proven track record of success. Whilst JBTH has the potential for significant growth it is yet to consistently operate on a profitable basis and deliver on the growth expectations. Based on these factors we consider it reasonable to select a forecast multiple towards the lower end of the comparable companies and below the average multiple.

Based on the consideration discussed above, we have selected the following earnings multiples to apply to our valuation of JBTH (on a minority basis).

Table 37: Selected earnings multiples

	PE Multiple	
	Low	High
Selected multiple	11.0x	12.0x

Source: Leadenhall analysis

Value conclusion

Based on our above analysis our assessed value of JBTH is as follows:

Table 38: Summary of JBTH CFME analysis

	Low	Hgh
Selected maintainable earnings	4.0	4.5
Selected earnings multiple (minority)	11.0x	12.0x
Enterprise value (minority basis)	**44.0**	**54.0**

Source: Leadenhall analysis

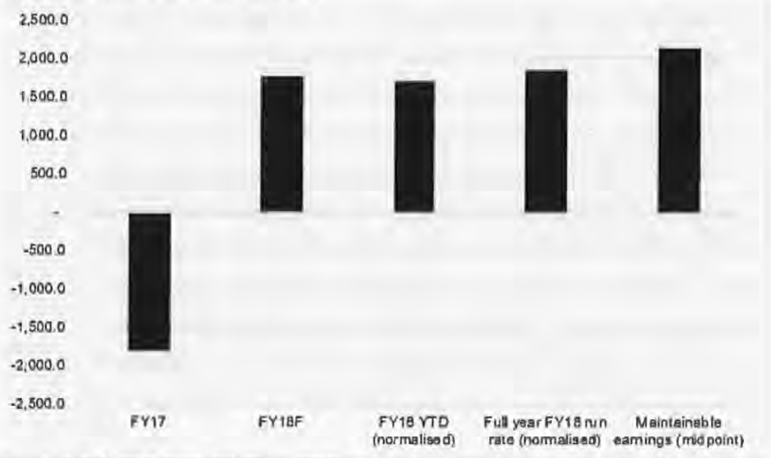
APPENDIX 6: VALUATION OF R&S

Maintainable earnings

When considering an appropriate level of future maintainable earnings for R&S we have considered the following factors:

- Historical and forecast performance. A summary of our analysis of historical and forecast performance is set out in the figure below.

Figure 8: R&S EBIT ($'000)



Source: HML and Leadenhall analysis
Notes:
1. *FY18 YTD is for the 11 months to May 2018*
2. *FY18 YTD and FY18 full year run rate have been normalised for $1.2 million in non-recurring expenses related to the integration and rebranding of the R&S businesses*

- We have been provided with the board approved budget for FY19 which anticipates significant growth in the business over this period]. However, we consider there are significant risks to achieving the anticipated growth in particular:
  - Year to date revenue is significantly behind budget, although considerable cost savings, after allowing for one off costs, have resulted in YTD EBIT in line with budget expectation.
  - The component businesses of R&S are relatively mature businesses with most of them having been in operation for over ten years prior to being acquired by JBFG. Mature businesses tend to have relatively stable growth profiles unless there is a significant change in the business (i.e. new product launch or technological advancement). The FY19 budget forecasts 15% growth on FY18 forecast revenue and 30% growth on the estimated full year revenue based on the run rate to April 2018. In addition, EBIT margins are forecast to increase from 11% (normalised) for YTD18 to 14% in FY19. These are relatively buoyant growth expectations for a mature business.
  - It is inherently difficult to merge a number of business together to create one cohesive operation. It is possible that R&S will continue to face operational inefficiencies due to the combination of a number of small businesses in the short to medium term.
- We have reviewed the FY19 forecast and conducted a high level analysis based on more modest growth expectations of 10% to 12% revenue growth and 11% to 13% EBIT margin. This still allows for significant growth, primarily attributable increased focus on business development activities now that the integration activities are substantially complete.

After considering the historical earnings, forecast earnings and margins of comparable companies, we have selected the following maintainable earnings.

Table 39: Selected maintainable earnings

$m	EBIT	
	Low	High
Selected maintainable earnings	2.1	2.5

Source: Leadenhall analysis

Earnings multiple

In respect of public company trading multiples, we note that there are limited companies which operate in the same segments as Crown Currency listed on the ASX. However, as the business operates in global markets we have also considered international companies with similar businesses.

The following table sets out the historical and forecast trading EBIT multiples for the selected comparable companies.

Table 40: Trading multiples of comparable companies

Company	Location	Ent. Value (AU$'m)	EBIT Growth		EBIT Margin		EBIT Multiple	
			Current	Forecast	Current	Forecast	Current	Forecast
Automatic Data Processing	United States	75,230.8	11%	10%	20%	20%	21.7x	19.7x
Alliance Data Systems	United States	43,656.7	48%	15%	24%	25%	17.0x	14.7x
Intrum	Sweden	9,383.7	50%	34%	32%	36%	14.7x	11.0x
Dun & Bradstreet	United States	7,665.6	19%	4%	27%	27%	12.1x	11.6x
Coface	France	6,431.4	23%	9%	13%	14%	23.1x	21.2x
B2Holding	Norway	2,305.8	n/a	18%	47%	47%	9.4x	7.9x
Atento	Luxembourg	1,302.9	44%	8%	7%	7%	7.2x	6.6x
Axactor	Norway	1,209.7	812%	93%	31%	37%	11.6x	6.0x
Credit Corp	Australia	1,124.0	n/a	9%	34%	35%	11.1x	10.2x
Collection House	Australia	297.1	9%	6%	27%	26%	8.3x	7.8x
Low							**7.2x**	**6.0x**
High							**23.1x**	**21.2x**
Average							**13.6x**	**11.7x**
Median							**11.9x**	**10.6x**
Interquartile mean							**12.6x**	**10.5x**

Source: S&P Capital IQ and Leadenhall analysis as at 26 June 2018

It should be noted that these multiples are based on trading of minority shareholders.

We have considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of R&S:

- Based on forecast revenue and margins, R&S is significantly smaller than all of the comparable companies. All other things being equal, smaller companies trade on lower multiples. The most comparable company in terms of size is Collection House.
- R&S was formed by the amalgamation of a number of existing and mature businesses. Considerable short-term growth has been allowed for in the earnings to reflect a return to profitability after a downturn primarily attributable to the integration and rebranding process. The comparable companies have a range of forecast EBIT growth between 4% and 34% and we consider that R&S would sit at the mid to lower end of this range once it is operating at an optimised level.

- Most of the comparable companies operate primarily in the debt collection and purchasing market. The most comparable company in terms of both size and operations is Collection House. In addition, the growth profile of Collection House is similar to expectations from R&S on a normalised basis. However, Collection house does have a significantly higher forecast EBIT margin than R&S (around 15% higher). Collection House offers a number of similar services to R&S including debt collection and asset location recovery and sale. In addition, Collection House also provides debt purchasing services, receivables management, repayment arrangement management, credit management training, finance brokerage and business process outsourcing.
- The most comparable companies to R&S in terms of EBIT margin are Atento and Coface. The other comparable companies operate on significantly higher EBIT margins. All other things being equal, companies with higher margins trade on higher multiples.
- The average forecast EBIT multiple for the comparable companies is 11.7x and the median is 10.6x. The interquartile mean (the average excluding the top and bottom 25% of values) is 10.5x.

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples, from Australia and overseas. The table below shows the historical (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data.

Table 41: Transaction multiples

Target	Acquirer	Date	Target Country	Ent. Value (AU$'m)	Historical multiple EBITDA	Historical multiple EBIT	Forecast multiple EBITDA	Forecast multiple EBIT
R&S	JBFG	Jun-17	Australia	34.0	n/a	n/a	19.3x	19.3x
Lindorff Group	Intrum Justitia	Jun-17	Norway	5,857.7	16.5x	27.1x	n/a	n/a
Transcom Worldwide	Altor Equity Partners	Mar-17	Sweden	375.0	9.4x	12.7x	7.3x	9.8x
ALTOR GmbH	Axactor	Sep-16	Germany	50.0	n/a	12.0x	n/a	n/a
Ikas Norge	Axactor	Mar-16	Norway	45.5	n/a	11.3x	n/a	n/a
Illion	Archer Capital	Jun-15	Australia	220.0	n/a	16.8x	n/a	n/a
Average					**13.0x**	**17.2x**	**13.3x**	**14.5x**
Median					**13.0x**	**14.8x**	**13.3x**	**14.5x**

Source: S&P CapitalIQ, HML and Leadenhall analysis
Notes:
1. Illion was formerly know as Dun & Bradstreet Australia

The observed multiples from comparable transactions are control multiples and include any premium paid for control.

We have considered the following factors in relation to the above transaction multiples in determining an appropriate earnings multiple to apply to the valuation of R&S:

- Transaction multiples incorporate varying degrees of control premium and possibly an element of special value to the extent this was paid for by the acquirers.
- The most comparable transactions in terms of size are the acquisition of ALTOR GmbH and Ikas Norge. In relation to these transactions we note:
  - If a control premium of 20% was applied to the transaction enterprise value the resulting historical EBIT multiples would have been 9.6x for ALTOR GmbH and 9.0x for Ikas Norge.
  - The historical EBIT margin for Ikas Norge was 28% which is significantly higher than R&S (there was insufficient information to determine the historical EBIT margin for ALTOR GmbH).
  - Based on revenue, both of these companies are larger than R&S.
- The forecast EBIT multiple implied by the acquisition of R&S by JBFG is significantly higher than most of the other transactions. The forecast multiple (using the FY18 forecast) based on the $22 million paid by BRL to acquire R&S was 12.5x which is more in line with the comparable transactions.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of R&S are summarised below:

- In relation to the market trading multiples we have placed the most weight on the Collection House multiples primarily due to size and comparability of operations.

- In relation to the transaction multiples we have placed the most weight on the acquisition multiples for the ALTOR GmbH and Ikas Norge transactions, predominantly due to the size of these transactions.

Based on the consideration discussed above, we have selected the following earnings multiples to apply to our valuation of R&S.

Table 42: Selected earnings multiples

	EBIT Multiple	
	Low	High
Selected multiple	7.0x	7.5x

Source: Leadenhall analysis

Value conclusion

Based on our above analysis our assessed value of R&S is as follows:

Table 43: Summary of R&S CFME analysis

	Low	Hgh
Selected maintainable earnings	2.1	2.5
Selected earnings multiple (minority)	7.0x	7.5x
Enterprise value (minority basis)	**14.7**	**18.8**

Source: Leadenhall analysis

APPENDIX 7: VALUATION OF JBFX WHOLESALE

Maintainable earnings

When considering an appropriate level of future maintainable earnings for JBFX Wholesale we have considered the following factors:

- Historical and forecast performance noting that the business was only recently acquired and is currently in the early stages of transitioning to new ownership and growing its external client base. As a result, the business has been loss-making in the current year to date.
- Currently the main customer of JBFX is Crown Currency. JBFX is expected to benefit from the growth of Crown Currency as it continues to deliver on its store roll out plan.
- JBFX Wholesale have the systems, processes and staff (all brought over from AMEX), in place to rapidly increase the scale of the business.
- Whilst the operational capacity and relationships exist to win new customers, the ability of JBFX Wholesale to do so is yet to be proven. Furthermore, capital is required in order to increase inventory to the levels required to service additional customers.
- An inherent risk in the industry is that supply contracts are generally only agreed for three year terms. As such there is a risk that contracts will be lost, having a material impact on earnings, which could not be recouped for at least three years.
- JBFX Wholesale has recently been unsuccessful in tendering for a large supply contract. Management intend to use the capital set aside for this deal to target the acquisition of small to medium retail operators. Whilst the existing senior management team sourced from AMEX has significant relationships with these customers from when AMEX had these contracts, there remains uncertainty in respect of whether future customer tenders will be successful.
- We have analysed the potential impact on earnings for JBFX based on achieving 50% and 75% success rate in generating the forecast revenue from new customers.

After considering the historical earnings, forecast earnings and margins of comparable companies, we have selected the following maintainable earnings.

Table 44: Selected maintainable earnings

$m	EBIT	
	Low	High
Selected maintainable earnings	0.9	1.1

Source: Leadenhall analysis

Earnings multiple

In respect of public company trading multiples, we note that there are limited companies which operate in the same segments as JBFX Wholesale on the ASX. However, as the business operates in global markets we have also considered international companies with similar businesses.

The following table sets out the historical and forecast trading PE multiples for the selected comparable companies.

Table 45: Trading multiples of comparable companies

Name	Location	EV (AU$'m)	EBIT Growth		EBIT Margin		EBIT Multiple	
			Current	Forecast	Current	Forecast	Current	Forecast
Foreign Exchange								
The Western Union	United States	15,687.8	16%	3%	20%	20%	10.1x	9.8x
OFX Group	Australia	380.1	5%	5%	21%	21%	14.5x	13.9x
FairFX Group	United Kingdom	225.3	1576%	108%	28%	39%	15.6x	7.5x
Currency Exchange International	United States	132.0	53%	32%	24%	29%	10.0x	7.6x
High							**15.6x**	**13.9x**
Low							**10.0x**	**7.5x**
Average							**12.6x**	**9.7x**
Median							**12.3x**	**8.7x**
Australian Travel								
Flight Centre	Australia	5,527.9	16%	9%	14%	14%	14.4x	13.2x
Corporate Travel Management	Australia	2,924.2	35%	18%	29%	30%	*26.5x*	*22.5x*
Webjet	Australia	1,675.8	78%	37%	24%	27%	*24.9x*	*18.2x*
Helloworld Travel	Australia	461.5	44%	20%	14%	16%	9.5x	7.9x
SeaLink	Australia	497.3	-7%	26%	16%	16%	14.3x	11.3x
High							**26.5x**	**22.5x**
Low							**9.5x**	**7.9x**
Average							**17.9x**	**14.6x**
Median							**14.4x**	**13.2x**
Average (excluding outliers)							**12.7x**	**10.8x**

Source: S&P Capital IQ and Leadenhall analysis as at 26 June 2018

Notes:

1. There is no consensus EBIT forecast for FairFX Group. As forecast EBITDA is available, we have applied actual FY17 depreciation and amortisation to estimate forecast EBIT for the current and forecast years for the purpose of our analysis.

2. Outliers are denoted in italics

It should be noted that these multiples are based on trading of minority shareholders.

We have considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of JBFX Wholesale:

- Based on forecast revenue and margins, JBFX Wholesale is significantly smaller than all of the comparable companies. All other things being equal, smaller companies trade on lower multiples. The most comparable company in terms of size is Currency Exchange International.
- Whilst a significant amount of growth has been allowed for in the earnings, the absolute level of earnings is relatively to modest compared to the earnings previously generated by AMEX. As a result, JBFX Wholesale still expects relatively robust growth in the medium terms as it continues to acquire new customers. Most of the comparable companies have strong forecast growth of 10% or greater, although JBFX would be expected to be at the higher end of the comparable companies in terms of growth. All other things being equal, companies with greater growth potential trade on higher multiples.
- The most comparable company in terms of operations is Currency Exchange International. Currency Exchange International has a large and growing wholesale business as well as 39 retail branches across the United States. Wholesale relationships have increased from 469 locations in 2014 to 977 locations in 2017. They also have 673 consignment locations. JBFX Wholesale have slightly higher forecast margins, however after probability weighting the acquisition of new clients forecast EBIT margins are very close to Currency Exchange International.

- In general, the travel companies have higher multiples than the foreign exchange companies. A combination of factors including size (the travel companies are generally larger) and diversification (the travel companies tend to have a more diverse product offering and operate in multiple jurisdictions) of these companies. We consider that an appropriate multiple for JBFX Wholesale would be closer to the observed multiples for the foreign exchange comparable companies than the travel companies, in particular Currency Exchange International.
- The average forecast EBIT multiple for the foreign exchange comparable companies is 9.7x and the median is 8.7x.

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples, from Australia and overseas. The table below shows the historical (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data.

Table 46: Transaction multiples

Target	Acquirer	Date	Target Country	Ent. Value (AU$'m)	Historical multiple EBITDA	Historical multiple EBIT	Forecast multiple EBITDA	Forecast multiple EBIT
Crown Currency	JBFG	Dec-16	Australia	14.9	n/a	n/a	5.7x	5.9x
City Forex	FairFX Group	Feb-18	United Kingdom	10.7	8.6x	n/a	n/a	n/a

Source: S&P CapitalIQ, HML and Leadenhall analysis
Notes:
1. The forecast multiple for the Crown Currency transaction is based on FY17 actual performance as forecast performance as at the date of the transaction was not avaialble. We consider this to be a resonable proxy for the purposes of our analysis.

We have considered the following factors in relation to the above transaction multiples in determining an appropriate earnings multiple to apply to the valuation of JBFX Wholesale:

- The comparable transactions are control transactions. As such the implied multiples include a premium for control. The transaction multiples would be lower on a minority basis. For illustrative purposes, applying a minority discount of 20% to the City forex transaction would result in a historical EBITDA multiple of 6.9x.
- The Crown Currency transaction is also of similar size to JBFX Wholesale. At the time of this transaction Crown had no plans or capital allocated for growth of the existing store portfolio. Given the Growth outlook for Crown Currency at the time of the acquisition we consider that a reasonable multiple for JBFX Wholesale would be higher than the implied transaction multiples for the Crown Currency. It should also be noted that 20% of the Crown Currency purchase price was paid in JBFG shares, therefore the sellers would still have exposure to the upside from future growth. It is possible that the sellers would be willing to accept a lower purchase price for the opportunity to participate in future growth that would not have materialised had the acquisition not been completed.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of JBFX Wholesale are summarised below:

- We have placed more reliance on the public company trading multiples as guidance in selecting earnings multiples on a minority basis, in particular the multiples of those companies operating in the foreign exchange industry.
- Although we have allowed for significant growth in the selected maintainable earnings, we consider that there is still potential for above inflation growth in the short to medium term which should be considered when selecting an earnings multiple.
- Although JBFX Wholesale has been successfully supplying the Crown Currency stores in the short period since beginning operations, there is still some uncertainty as to new clients can be acquired at the magnitude and within the timeframe assumed in the management forecast. In addition, an inherent risk in the business model is that contract for supply are generally only for three years meaning that lumpy earnings could be experienced in the future if a large contract was lost and it was some time before a similar contract came up for tender.

Based on the consideration discussed above, we have selected the following earnings multiples to apply to our valuation of JBFX Wholesale (on a minority basis).

Table 47: Selected earnings multiples

	EBIT multiple	
	Low	High
Selected multiple	6.5x	7.0x

Source: Leadenhall analysis

10.5.1 Value conclusion

Based on our above analysis our assessed value of JBFX Wholesale is as follows:

Table 48: Summary of JBFX Wholesale CFME analysis

	Low	Hgh
Selected maintainable earnings	0.9	1.1
Selected earnings multiple (minority)	6.5x	7.0x
Enterprise value (minority basis)	**5.9**	**7.7**

Source: Leadenhall analysis

APPENDIX 8: VALUATION OF GROWTH POINT CAPITAL

Maintainable earnings

We highlight that the Growth Point Capital business is in its early stages of growth which has only been trading profitably in recent months. Furthermore, significant growth is anticipated by management in the near term increased loan origination utilising the back office capacity of the support office in the Philippines. As a consequence, determining a level of maintainable earnings is subjective and there are likely to be a range of assumptions which would be reflective of market participant assumptions.

When considering an appropriate level of future maintainable earnings for Growth point Capital we have considered the following factors:

- Historical and forecast performance noting that current year to date performance indicates a modest loss. However, the business was only recently acquired and has an extensive pipeline of opportunities and is currently budgeting for substantial near-term growth. We have conducted some high-level analysis of the impact on near-term earnings of different scenarios of pipeline revenue conversion (and impact on associated costs). For example, based on this analysis and the current opportunity pipeline NPAT would be $0.5 million at a 25% conversion rate and $3.5 million at a 100% conversion rate.
- Growth Point Capital is an early stage business which has invested in significant back office functionality to support accelerated growth in the short and medium term. To date Growth Point Capital has been operating at a loss.
- There is increasing political pressure to implement a fee for service remuneration model in the mortgage broking industry, replacing the current upfront and trailing commission model. Growth Point Capital management considers that any such change would have a limited impact on their business, particularly in refinancing situations where the savings are clear. However, it is possible that a change to a fee for service model could have a detrimental impact on the business.

After considering the historical earnings, forecast earnings and margins of comparable companies, we have selected the following maintainable earnings.

Table 49: Selected maintainable earnings

$m	NPAT	
	Low	High
Selected maintainable earnings	0.8	1.0

Source: Leadenhall analysis

Earnings multiple

The following table sets out the historical and forecast trading PE multiples for the selected comparable companies.

Table 50: Trading multiples of comparable companies

Company	Location	Market cap (AU$'m)	NPAT Growth Current	NPAT Growth Forecast	NPAT Margin Current	NPAT Margin Forecast	NPAT Multiple Current	NPAT Multiple Forecast
RE/MAX Holdings	United States	1,286.9	471%	1%	32%	31%	13.7x	13.6x
Foxtons Group	United Kingdom	285.4	-50%	148%	2%	6%	61.2x	24.7x
Australian Finance Group	Australia	296.4	-22%	10%	5%	5%	9.8x	8.9x
Mortgage Choice	Australia	163.4	-1%	-18%	12%	10%	7.4x	9.1x
McGrath	Australia	61.0	n/a	n/a	n/a	n/a	n/a	n/a
Yellow Brick Road	Australia	26.8	n/a	n/a	n/a	n/a	n/a	n/a
The Agency Group	Australia	10.2	n/a	n/a	n/a	n/a	n/a	n/a
N1 Holdings	Australia	9.8	n/a	n/a	n/a	n/a	n/a	n/a
Low							**7.4x**	**8.9x**
High							**61.2x**	**24.7x**
Average							**23.0x**	**14.1x**
Median							**11.7x**	**11.4x**
Interquartile mean							**11.7x**	**11.4x**

Source: S&P Capital IQ and Leadenhall analysis as at 26 June 2018

It should be noted that these multiples are based on trading of minority shareholders.

We have considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of Growth Point Capital:

- Based on forecast revenue and margins, Growth Point Capital is most similar in size to N1 Holdings and The Agency Group. Of the companies that have forecast multiples available, Mortgage Choice is the most similar in size, although it is significantly larger the Growth Point Capital. All other things being equal, smaller companies trade on lower multiples.
- Growth Point Capital, is still in the start up phase of its lifecycle with significant earnings growth forecast in the short to medium term. Some of this potential growth has been allowed for in the maintainable earnings. However, there is potential for additional significant growth, particularly given the recent investment in back office capabilities. Therefore, it is appropriate to allow for reasonable additional growth when considering a suitable earnings multiple to apply to Growth Point Capital. Of the limited data available for forecast growth of companies, Australian Finance Group seems to be most comparable.
- Growth Point Capital has a higher forecast NPAT margins (41% based on management forecast). All other things being equal this would lead to a multiple at the higher end of the observed range. The most comparable company in terms of margins is RE/Max Holdings with a forecast EBIT margin of 31%.
- In terms of operations, mortgage choice and Australian Finance Group are the most comparable companies. Mortgage Choice operates a franchised mortgage broking business as well as providing financial planning services and two comparison websites (health funds and mortgages). Australian Finance Group provides mortgage broking services as well as home and other business loans.
- The average forecast PE multiple for the foreign comparable companies is 14.1x and the median is 11.4x.

In addition to our analysis of trading multiples, we have also searched for relevant transaction multiples, from Australia and overseas.

Table 51: Transaction multiples

Target	Acquirer	Date	Target Country	Equ. Value (AU$'m)	PE multiple historical	PE multiple forecast
Smartline	REA Group	Jun-17	Australia	67.0	n/a	10.6x
Vow Financial	Yellow Brick Road	May-14	Australia	9.8	7.0x	n/a

Source: S&P CapitalIQ, REA Group ASX announcement dated 27 June 2017 and Leadenhall analysis

Note:

The REA announcement of the Smarline transaction advised of forecast EBITDA for the financial services division of $7 million to $11 million. The forecast trasnaction multiple is based on the mid-point of this range, $9 million. Tax at 30% has been assumed and deducted from the forecast EBITDA.

In relation to the above comparable transaction multiples we note:

- The vow financial transaction is similar to Growth Point Capital in terms of both size and operations. We consider that Growth Point Capital has higher growth prospects than Vow Financial at the time of the acquisition. Despite completing in 2014, we consider this to be the most comparable transaction for our analysis of Growth Point Capital.
- The comparable transaction are control transactions and therefore are likely to include some element of a control premium. A minority multiple would be less than the control multiples shown above.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of Growth Point Capital are summarised below:

- The smaller comparable companies do not have forecast earnings multiples and the other companies are much larger than Growth Point Capital indicating that an appropriate multiple for Growth Point capital would be much lower than the forecast multiples of the comparable companies.
- The most comparable listed companies are Australian Finance Group and Mortgage Choice. The average forecast PE multiple for these two companies 9.0x. As Growth Point Capital is significantly smaller than these companies, an appropriate multiple would be less than their current trading multiples.
- The transaction multiples, in particular the Vow Financial transaction.

Based on the consideration discussed above, we have selected the following earnings multiples to apply to our valuation of Growth Point Capital (on a minority basis).

Table 52: Selected earnings multiples

	PE Multiple Low	PE Multiple High
Selected multiple	6.5x	7.0x

Source: Leadenhall analysis

Value conclusion

Based on our above analysis our assessed value of Growth Point Capital is as follows:

Table 53: Summary of Growth Point Capital CFME analysis

	Low	Hgh
Selected maintainable earnings	0.8	1.0
Selected earnings multiple (minority)	6.5x	7.0x
Enterprise value (minority basis)	**5.2**	**7.0**

Source: Leadenhall analysis

APPENDIX 9: FINTECH VALUATION

Introduction

Due to the early stage nature of the FinTech division, we have estimated the value using the replacement cost method.

The table below set out the development costs incurred by the JBFG subsidiary companies as at the end of June 2018.

Table 54: FinTech development costs

Company	Development costs ($'000)
Funz Holdings Pty Ltd	1,111.3
Piggybk Holdings Pty Ltd	851.2
JB Fintech Services Pty Ltd	242.2
Total	**2,204.8**

Source: HML

Note: the costs have been split by company as JBFG has a different equity interest in each of the companies that comprise the Fintech division.

The majority of the development costs relate to wages as 90% of development is conducted by in-house software developers.

Whilst the business is in its infancy, we understand that the product suite and longer-term commercialisation model is well advanced which includes a soft-launch of the 'Piggybk' app in calendar year 2018.

We note that it is possible that another investor would be willing to pay in excess of the costs incurred to date either from a defensive perspective or in acknowledgement of the potential value proposition of the technology and potential business model. However, due to the inherent subjectivity in estimating this value and that our conclusion on the Proposed Transaction is not sensitive to the assessed value of the FinTech business, for the purpose of our analysis we have utilised the costs to date for our assessed.

Value conclusion

Based on our above analysis our assessed value of JBFG's interest in the Fintech division is as follows:

Table 55: Value of JBFG's interest in the FinTech businesses

Company	Cost ($'m)	JBFG interest	Value ($'m)
Funz Holdings Pty Ltd	1.1	75%	0.8
Piggybk Holdings Pty Ltd	0.9	68%	0.6
JB Fintech Services Pty Ltd	0.2	100%	0.2
Total	**2.2**		**1.7**

Source: HML and Leadenhall analysis

APPENDIX 10: SURPLUS ASSETS AND NET DEBT OF JBFG

Introduction

In order to assess the value of JBFG, it is necessary to identify any other assets and liabilities not included in the enterprise value calculated. These can be:

- **Surplus assets**: assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets that is not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- **Non-operating liabilities**: liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- **Net debt**: comprising of debt used to fund a business, less surplus cash held by the company.

Each of these factors are considered below.

Surplus assets

We have identified one surplus asset of JBFG. In 2017, Capital Credit Pty Ltd, as subsidiary of JBFG, acquired a debt ledger at a total cost of $2.8 million. Subsequent to the acquisition, JBFG engaged an expert in purchased debt collection to assess the collectability of the purchased debt ledgers. The expert concluded that the debt ledgers were overvalued by $0.85 million. This assessment was reviewed by JBFG's auditor who agreed with the outcome and an impairment provisions was made. The current carrying value of the purchased debt ledgers is $1.9 million and this amount has been recognised as a surplus asset.

Non-operating liabilities

We have identified a number of non-operating liabilities of JBFG, as set out in the table below:

$m	Low	High
Capex for new Crown Currency stores	3.6	3.6
Capital JBFX	0.4	0.5
Total non-operating liabilities	**4.0**	**4.1**

Source: HML and Leadenhall analysis

A brief summary of the identified non-operating liabilities is provided below:

- **Capex for new Crown Currency Stores:** the maintainable earnings for Crown Currency is based on a portfolio of 37 operating stores. Currently there are 28 Crown Currency stores in operation. As such, the maintainable earnings selected contemplates the opening of a further nine stores. Based on historical costs of opening new stores, management estimate that total capital expenditure and working capital required to open one new store is $0.4 million. On this basis we have estimated an investment of $3.6 million would be required to open nine new Crown Currency Stores.
- **Capital JBFX:** in order to acquire new customers at the level anticipated by the selected maintainable earnings, JBFX would be required to invest in working capital, in particular inventory (foreign bank notes). Based on discussions with management we estimate the investment required would be between $0.4 million and $0.5 million in order to achieve the selected level of maintainable earnings.

We note that there are some corporate costs within JBFG which have not been allocated to individual business units above. Based on our discussions with JBFG management, these largely pertain to senior management salaries which are largely dedicated to evaluating growth options and other strategic initiatives for JBFG. As we have not included any benefits associated with any such initiatives in our earnings analysis of the underlying businesses above, we have similarly not included the associated costs.

Net debt

The net debt position of JBFG as at 30 May 2018 is set out in the table below:

Table 56: Net cash/(debt) summary

$m	Low	High
Cash & cash equivalents	16.7	16.7
Borrowings	(6.4)	(6.4)
Regulated capital requirements	(0.4)	(0.4)
Convertible notes (issued to BHG and HML)	(20.1)	(18.2)
Net cash/(debt)	**(10.1)**	**(8.2)**

Source: HML and Leadenhall analysis

APPENDIX 11: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Description
Currency Exchange International, Corp.	Currency Exchange International, Corp. provides currency exchange and related products in the United States and Canada.
FairFX Group Plc	FAIRFX Group PLC provides foreign exchange payment services to private clients and corporations in the United Kingdom.
OFX Group Limited	OFX Group Limited provides online international payments and foreign exchange services for consumer and business clients in Australia, New Zealand, Europe, North America, and Asia.
The Western Union Company	The Western Union Company provides money movement and payment services worldwide.
Corporate Travel Management Limited	Corporate Travel Management Limited, a travel management solutions company, manages the purchase and delivery of travel services for the corporate market worldwide.
Flight Centre Travel Group Limited	Flight Centre Travel Group Limited provides travel retailing services primarily under the Flight Centre brand in leisure, corporate, and wholesale travel sectors worldwide.
Helloworld Travel Limited	Helloworld Travel Limited operates as a travel distribution company in Australia, New Zealand, and internationally.
Mantra Group Limited	Mantra Group Limited provides accommodation services.
SeaLink Travel Group Limited	SeaLink Travel Group Limited operates as a tourism and transport company in Australia.
Webjet Limited	Webjet Limited provides online travel booking services in Australia, New Zealand, and internationally.
ABG Sundal Collier Holding ASA	ABG Sundal Collier Holding ASA, together with its su idiaries, provides investment banking, stock broking, and corporate advisory services in Norway, Sweden, Denmark, and internationally.
Bell Financial Group Limited	Bell Financial Group Limited provides stock broking, investment, and financial advisory services to private, institutional, and corporate clients.
BinckBank N.V.	BinckBank N.V., together with its subsidiaries, provides online brokerage services in financial instruments for private and professional investors.
CMC Markets Plc	CMC Markets plc, together with its subsidiaries, provides online and mobile trading services for retail and institutional clients in the United Kingdom and internationally.
CME Group Inc.	CME Group Inc., through its subsidiaries, operates contract markets for the trading of futures and options on futures contracts worldwide.
Compagnie Financière Tradition SA	Compagnie Financière Tradition SA operates as an interdealer broker of financial and non-financial products worldwide.
E*TRADE Financial Corporation	E*TRADE Financial Corporation, a financial services company, provides brokerage and related products and services primarily to individual retail investors under the E*TRADE Financial brand.
GAIN Capital Holdings, Inc.	GAIN Capital Holdings, Inc., together with its subsidiary, provides trading services and solutions to retail, institutional, and futures service customers worldwide.

Company	Description
Interactive Brokers Group, Inc.	Interactive Brokers Group, Inc. operates as an automated electronic broker in approximately 120 electronic exchanges and market centres worldwide.
Lang & Schwarz Aktiengesellschaft	Lang & Schwarz Aktiengesellschaft, through its subsidiaries, provides financial services in Germany.
Moelis Australia Limited	Moelis Australia Limited, together with its subsidiaries, provides various financial services.
Oppenheimer Holdings Inc.	Oppenheimer Holdings Inc., through its subsidiaries, provides middle-market investment bank and full service broker-dealer products and services.
Swissquote Group Holding Ltd	Swissquote Group Holding Ltd, through its subsidiaries, provides online financial and foreign exchange trading services in Switzerland, Europe, North America, the Middle East, Asia, and internationally.
Alliance Data Systems Corporation	Alliance Data Systems Corporation provides data-driven marketing and loyalty solutions worldwide.
Atento S.A.	Atento S.A., together with its subsidiaries, provides customer relationship management and business process outsourcing services and solutions in Brazil, the Americas, Europe, the Middle East, and Africa.
Automatic Data Processing, Inc.	Automatic Data Processing, Inc. provides business process outsourcing services worldwide.
Axactor AB (publ)	Axactor AB (publ), through its subsidiaries, operates as a debt management company in Sweden, Spain, Norway, Italy, and Germany.
B2Holding ASA	B2Holding ASA engages in the acquisition, management, and collection of unsecured and secured non-performing loans.
Coface SA	COFACE SA, through its subsidiaries, provides credit insurance products and related services for small and medium enterprises, mid-market companies, multi-nationals, financial institutions, and clients of distributer partners.
Collection House Limited	Collection House Limited provides debt collection and receivables management services in Australia and New Zealand.
Credit Corp Group Limited	Credit Corp Group Limited provides debt purchase and collection, and consumer lending services.
Intrum AB (publ)	Intrum AB (publ), together with its subsidiaries, provides credit management and financial services in Europe and internationally.
MaxWorldwide, Inc.	MaxWorldwide, Inc. provides Internet-based marketing solutions for advertisers and Web publishers in the United States.
The Dun & Bradstreet Corporation	The Dun & Bradstreet Corporation provides commercial data, analytics, and insight on businesses.

APPENDIX 12: ANALYSIS OF YIELDS OF COMPARABLE DEBT SECURITIES

We have analysed a range of comparable securities having regard to securities with similar operations/credit characteristics, duration and rating/shadow rating. The results of this analysis are set out below:

Table 57: Debt comparable securities

Issuer Name	C'cy	Coupon (in %)	Secured	Years to Maturity	S&P Rating	Bond Price	YTM Jun 18
Genworth Financial Mortgage Insurance Pty Ltd	AUD	5.6	No	7.0	A-	102.8	4.09%
Liberty Financial Pty Ltd	AUD	5.1	No	1.9	BBB-	100.2	4.99%
Cabot Financial (Luxembourg) S.A.	GBP	8.4	Yes	2.1	B+	101.2	7.13%
Cabot Financial (Luxembourg) S.A.	GBP	7.5	No	5.3	B+	99.2	7.67%
Galaxy Bidco Limited	GBP	6.4	No	2.4	B	99.5	6.59%
IDH Finance Plc	GBP	6.3	No	4.1	B-	91.0	8.92%
Jewel UK Bondco PLC	GBP	8.5	No	4.8	B-	99.4	8.66%
Matalan Finance plc	GBP	6.8	No	4.6	B-	93.0	8.63%
Mizzen Bondco Ltd.	GBP	7.0	No	2.8	B	101.8	5.96%
NewDay BondCo plc	GBP	7.2	No	4.6	B	94.2	8.78%
ACE Cash Express, Inc.	USD	12.0	Yes	4.5	B-	107.5	9.38%
Ally Financial Inc.	USD	3.8	No	3.0	BB+	96.2	5.15%
Ally Financial Inc.	USD	3.8	No	2.5	BB+	94.8	6.06%
Bcd Acquisition Inc.	USD	9.6	No	5.2	B	106.6	7.24%
Carlson Travel Inc	USD	6.8	Yes	5.5	B-	98.7	7.05%
Credit Acceptance Corporation	USD	6.1	No	2.6	BB	100.3	5.25%
CURO Financial Technologies Corp.	USD	12.0	No	3.7	B-	108.3	7.79%
Jefferies Finance LLC	USD	7.5	No	2.8	B	101.0	6.88%
Jefferies Finance LLC	USD	6.9	No	3.8	B	99.3	7.10%
Ladder Capital Finance Holdings LLLP	USD	5.9	No	3.1	BB-	102.3	4.97%
LoanCore Capital Markets LLC	USD	6.9	No	1.9	B	101.5	5.15%
Nationstar Mortgage LLC	USD	7.9	No	2.3	B+	100.9	7.43%
Nationstar Mortgage LLC	USD	9.6	No	0.8	B+	100.3	9.19%
Navient Corporation	USD	4.0	No	2.5	B+	100.0	6.87%
Navient Corporation	USD	6.5	No	4.0	B+	102.1	5.89%
Ocwen Loan Servicing, LLC	USD	8.4	Yes	4.4	B-	102.8	7.42%
Radian Group Inc.	USD	5.3	No	2.0	BB+	101.9	4.22%
Springleaf Finance Corporation	USD	7.8	No	3.3	B	106.8	5.43%
Springleaf Finance Corporation	USD	8.3	No	2.5	B	108.0	4.72%
Starwood Property Trust, Inc.	USD	3.6	No	2.6	BB-	97.5	4.67%
Stearns Holdings, LLC	USD	9.4	No	2.1	B	100.0	9.36%
TMX Finance LLC	USD	11.1	No	4.8	B-	102.3	10.38%
Vertiv Intermediate Holding Corporation	USD	12.0	No	3.6	B-	96.5	13.25%
Average (B- rated)							**9.05%**
Average (B rated)							**6.72%**
Average (B+ rated)							**6.31%**
Average (BB rated)							**5.05%**
Average (all)							**7.04%**
Median							**7.05%**

Source: S&P Capital IQ

APPENDIX 13: ANALYSIS OF VOLATILITY

The historical volatility of companies with comparable operations to JBTH are set out in the table below:

Table 58: Historical volatility

Comparable company volatility					
Company	**Market cap(A$)**	**1 Year**	**2 Year**	**3 Year**	**4 Year**
Bell Financial Group Limited	226	25%	31%	33%	35%
Moelis Australia Limited	921	33%	34%	34%	34%
GAIN Capital Holdings, Inc.	457	42%	38%	36%	36%
Oppenheimer Holdings Inc.	501	21%	22%	29%	28%
CMC Markets Plc	1,026	24%	38%	36%	36%
Swissquote Group Holding Ltd	1,066	26%	23%	25%	25%
Compagnie Financière Tradition SA	974	15%	16%	18%	20%
Lang & Schwarz Aktiengesellschaft	166	30%	27%	26%	28%
E*TRADE Financial Corporation	21,817	19%	21%	25%	24%
ABG Sundal Collier Holding ASA	454	16%	17%	20%	22%
BinckBank N.V.	511	19%	20%	24%	24%
CME Group Inc.	75,464	15%	15%	17%	16%
Interactive Brokers Group, Inc.	6,225	21%	19%	23%	22%
Average	**8,447**	**24%**	**25%**	**27%**	**27%**

Source: S&P Capital IQ

APPENDIX 14: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for HML's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by HML being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to HML's management and independent directors for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

Indemnities

In recognition that Leadenhall may rely on information provided by HML and their officers, employees, agents or advisors, HML has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by HML and their officers, employees, agents or advisors or the failure by HML and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin and Dave Pearson, CA, CPA, CFA, CBV, MAppFin, Bcomm.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and is a valuation engagement in accordance with that standard.

Independence

Leadenhall and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with HML, JBFG, JBL or any related entities or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

We advise that on 8 June 2018, subsequent to Leadenhall being engaged to prepare an IER for the Proposed Transaction and completion of substantive work in respect of the IER but prior to issuing the IER, Leadenhall issued a review opinion in respect of HML's valuation of unlisted investments. The fees for this engagement were $25,000 and were not material in the context of Leadenhall group revenue over the last two financial years.

Leadenhall commenced analysis for the purposes of this report prior to announcement of the Proposed Transaction. This work did not involve Leadenhall participating in setting the terms of, or any negotiations leading to, the Proposed Transaction. Our only role has been the preparation of this report.

Leadenhall has acted independently of HML. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.