

**JB Financial Group Pty Ltd**

**ABN 80 613 592 135**

**Annual Report - 30 June 2018**

**JB Financial Group Pty Ltd**  
**Directors' report**  
**30 June 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the consolidated entity) consisting of JB Financial Group Pty Ltd (referred to hereafter as the Company or parent entity) and the entities it controlled at the end of, or during, the year ended 30 June 2018.

**Directors**

The following persons were directors of JB Financial Group Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stuart McAuliffe - Managing Director (resigned 21 February 2018)  
Peter Aardoom - Non-Executive Director  
Michael Martin - Non-Executive Director  
Samuel Elderfield - Executive Director (appointed 7 September 2017)

**Company Secretary**

Peter Aardoom (appointed 11 July 2016, resigned 10 August 2017)  
Kevin John Mischewski (appointed 10 August 2017)

**Principal activities**

The principal activities of the Group during the period included:

- financial services including broking, proprietary trading, retail and wholesale foreign currency exchange;
- physical audits and mercantile agency services, as well as investigations, brand protection, surveillance, background screening and security sweeps across Australia and New Zealand; and
- emerging 'disruptive' technology applications in the financial services sector.

**Our business model and objectives**

The Company aims to deliver shareholder returns and capital growth by providing exposure to diverse and defensible private equity investments in complimentary operating companies across the financial services sector. The Company aims to provide returns to shareholders by:

- establishing a portfolio of growth companies in complimentary sectors;
- investing in the growth of these companies to achieve scale and synergy benefits; and
- realising value through an eventual listing or sale when each business has reached an appropriate scale.

**Review of operations**

The following table shows a summary of financial highlights:

	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Operating revenue	49,077,403	6,422,805	42,654,598	664%
Loss before tax	21,249,948	300,521	20,949,427	6971%
Loss after tax	19,250,581	206,991	19,043,590	9200%
Income tax benefit	1,999,367	93,530	1,905,837	2038%

**Going concern**

For the year ended 30 June 2018, the loss for the Group after tax amounted to \$19,250,581. At the end of the financial year, current liabilities exceeded current assets by \$2,255,424. Notwithstanding the reported results, this financial report has been prepared on a going concern basis as the directors consider that the Company and the consolidated entity will be able to realise their assets and settle their liabilities in the normal course of business and at amounts stated in the financial report.

Significant matters identified by the directors include:

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- The reported loss is not considered by the directors to reflect the expected future performance of the Group. Operating expenses for the reporting period included significant non-recurring and non-cash expenses arising from acquisition of new businesses, restructuring costs, redundancy payments, fair value adjustments, impairment, depreciation and amortisation costs.
- Cost reductions implemented in the first half of the calendar year 2018 are expected to provide positive operating cash flows to the Group over the medium term. Having absorbed the initial acquisition, restructuring and development costs within the Group, management of capital expenditure and growth is forecast to reduce short term funding required for growth of the business divisions.
- Subsequent to the end of the financial year, the Group's maturing debt facilities have either been repaid, converted to equity or had maturity terms extended. Details of the changes are identified at note 43 Events after the reporting period.

The continuation of the Company and the Group as a going concern is dependent on their ability to achieve the following objectives:

- Forecast positive cash flows from operations
- Proposed capital expenditure management
- Capital raisings by way of debt or equity
- Realisation of surplus assets and sale of existing assets or companies either by a float or trade sale.

Should the above actions not generate the expected cash flows, the Company may not be able to meet its debts as and when they become due and payable, and it may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

#### Changes in investments in the Group

On 3 July 2017, Risk and Security Management Pty Ltd (a wholly owned subsidiary of the Company) acquired 100% of the issued shares in Australian Legal Support Group Pty Ltd (ALSG) for consideration of \$3,963,680. ALSG provides mercantile services and complements existing Group operations in that segment.

On 13 September 2017, the Company acquired 100% of the issued shares in Genesis Proprietary Trading Pty Ltd (Genesis) for consideration of \$11,247,286 which included Company shares issued valued at \$5,499,997. Genesis is one of Australia's largest proprietary trading companies.

On 16 November 2017, the Company acquired 100% of Growth Point Capital Pty Ltd (GPC) (formerly Schuh Group Finance Pty Ltd) for consideration of \$999,999. GPC is a consumer credit and mortgage broking business specialising in loan and refinancing services.

On 17 November 2017, the Company acquired 100% of Capital Credit Pty Ltd (Capital Credit) (formerly Growth Point Capital Pty Ltd) for a consideration of \$158. Capital Credit has a portfolio of distressed debt purchased at discounts to the face value.

Other entities incorporated during the year and included in the consolidated financial statements were:

- Great Rate Finance Pty Ltd
- Risk & Security Management (NZ) Limited
- JB Trading House Pty Ltd

#### Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

#### Significant changes in the state of affairs

The Company issued 1,617,075 ordinary shares during the year raising \$10,094,743 after costs and increasing the number of shares on issue by 6.4%; from 25,303,788 to 26,920,863.

There were no other significant changes in the state of affairs of the Group during the financial year.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

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**Matters subsequent to the end of the financial year**

**Transfer of intellectual property**

In an agreement dated 22 August 2018 the Company agreed to transfer all intellectual property associated with the software and technology developed by its FinTech division to an external entity in consideration for a minority interest. The Group recognised an impairment expense of \$642,186 at 30 June 2018 for the total amount of its software development asset.

**Loan to related party**

On 25 September 2018 the Company entered into a loan agreement with John Bridgeman Limited to extend a debt facility of \$4.5 million for a term of 2 years at a 5.0% pa interest.

**Extension of convertible note maturity**

On 11 September 2018, the convertible note included in Borrowings in the Statement of Financial Position at amortised cost of \$2,305,278 (refer note 24), which had a maturity date of 11 September 2018 and an interest rate of 9.65% pa, was extended by 18 months and included an option to convert into JB Trading House shares.

**Extension of HML loan agreement with Capital Credit Pty Ltd**

On 10 July 2018, the loan agreement between Capital Credit (formerly known as Growth Point Capital Pty Ltd) and HML was extended until 7 January 2020. Subsequent to the year end, all of the accrued interest and 5% of the loan capital has been repaid.

**Extension of JBL loan agreement with Capital Credit Pty Ltd**

On 10 July 2017, Capital Credit Pty Ltd (formerly known as Growth Point Capital Pty Ltd), a controlled entity entered into a loan agreement with JBL. A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate.

On 15 October 2018 the loan was extended until 10 July 2020.

**Sale of vault facility**

The JBFX vault storage facility and associated physical assets were sold for \$850,000 plus GST on 31 August 2018. A gain of \$695,929 was realised on sale.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

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

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Shares under option**

There were no unissued ordinary shares of JB Financial Group Pty Ltd under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of JB Financial Group Pty Ltd issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

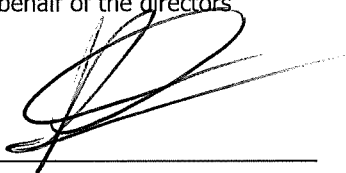
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Peter Aardoom', written over a horizontal line.

Peter Aardoom, Director

31 October 2018



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

To the Directors of JB Financial Group Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of JB Financial Group Pty Ltd for the financial year ended 30 June 2018 there have been:

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

KPMG

Simon Crane  
*Partner*

Brisbane  
31 October 2018

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**General information**

The financial statements cover JB Financial Group Pty Ltd as a consolidated entity consisting of JB Financial Group Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is JB Financial Group Pty Ltd's functional and presentation currency.

JB Financial Group Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**

Level 9, 123 Eagle Street  
Brisbane, QLD, 4000  
Australia

**Principal place of business**

Level 9, 123 Eagle Street  
Brisbane, QLD, 4000  
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 October 2018. The directors have the power to amend and reissue the financial statements.

**JB Financial Group Pty Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	Note	Consolidated 2018 \$	2017 \$
<b>Revenue</b>	4	49,077,403	6,422,805
Other income	5	221,498	23,048
<b>Expenses</b>			
Operating expenses	6	(12,225,619)	(1,092,613)
Traders fees	7	(5,617,466)	-
Employee benefits expense	8	(20,557,604)	(3,536,711)
Professional services expenses	9	(9,898,942)	(1,103,639)
Other expenses	10	(5,480,873)	(1,013,411)
Impairment expense	11	(16,768,345)	-
<b>Loss before income tax benefit</b>		(21,249,948)	(300,521)
Income tax benefit	12	1,999,367	93,530
<b>Loss after income tax benefit for the year</b>		(19,250,581)	(206,991)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		451	(673)
Other comprehensive income for the year, net of tax		451	(673)
<b>Total comprehensive income for the year</b>		<u>(19,250,130)</u>	<u>(207,664)</u>
Loss for the year is attributable to:			
Non-controlling interest		-	218,415
Owners of JB Financial Group Pty Ltd	32	(19,250,581)	(425,406)
		<u>(19,250,581)</u>	<u>(206,991)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	(426,078)
Owners of JB Financial Group Pty Ltd		(19,250,130)	218,414
		<u>(19,250,130)</u>	<u>(207,664)</u>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**JB Financial Group Pty Ltd**  
**Statement of financial position**  
**As at 30 June 2018**

	Note	Consolidated 2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	18,623,103	4,532,920
Trade and other receivables	14	5,727,516	17,565,661
Balances held with brokers	15	3,414,108	-
Derivative assets	16	15,928	20,904
Term deposits		703,849	409,273
Purchased debt ledgers		157,288	-
Other	17	1,178,552	220,230
Total current assets		<u>29,820,344</u>	<u>22,748,988</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	3,130,617	1,362,242
Intangibles	19	46,712,651	46,094,856
Deferred tax	20	4,662,784	1,559,589
Purchased debt ledgers	21	434,662	-
Security deposits	22	615,348	81,113
Total non-current assets		<u>55,556,062</u>	<u>49,097,800</u>
<b>Total assets</b>		<u>85,376,406</u>	<u>71,846,788</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	25,922,339	2,627,595
Borrowings	24	4,757,057	5,650,953
Income tax	29	235,627	628,389
Provisions	25	1,160,745	764,106
Total current liabilities		<u>32,075,768</u>	<u>9,671,043</u>
<b>Non-current liabilities</b>			
Payables	26	177,442	125,940
Borrowings	27	314,322	243,785
Provisions	28	562,379	404,141
Total non-current liabilities		<u>1,054,143</u>	<u>773,866</u>
<b>Total liabilities</b>		<u>33,129,911</u>	<u>10,444,909</u>
<b>Net assets</b>		<u>52,246,495</u>	<u>61,401,879</u>
<b>Equity</b>			
Issued capital	30	78,845,186	68,750,440
Reserves	31	(6,923,054)	(6,923,505)
Accumulated losses	32	(19,675,987)	(425,406)
Equity attributable to the owners of JB Financial Group Pty Ltd		52,246,145	61,401,529
Non-controlling interest		350	350
<b>Total equity</b>		<u>52,246,495</u>	<u>61,401,879</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**JB Financial Group Pty Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves (Note 30)</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Retained profits</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
Balance at 1 July 2016	-	-	-	-	-	-
Profit/(loss) after income tax benefit for the year	-	-	-	(425,406)	218,415	(206,991)
Other comprehensive income for the year, net of tax	-	-	(673)	-	-	(673)
Total comprehensive income for the year	-	-	(673)	(425,406)	218,415	(207,664)
Purchase of NCI in subsidiaries	-	(6,922,832)	-	-	(264,526)	(7,187,358)
Acquisition of subsidiary with NCI	-	-	-	-	46,461	46,461
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 30)	68,750,440	-	-	-	-	68,750,440
Balance at 30 June 2017	<u>68,750,440</u>	<u>(6,922,832)</u>	<u>(673)</u>	<u>(425,406)</u>	<u>350</u>	<u>61,401,879</u>

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves (Note 30)</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Retained profits</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
Balance at 1 July 2017	68,750,440	(6,922,832)	(673)	(425,406)	350	61,401,879
Loss after income tax benefit for the year	-	-	-	(19,250,581)	-	(19,250,581)
Other comprehensive income for the year, net of tax	-	737	(286)	-	-	451
Total comprehensive income for the year	-	737	(286)	(19,250,581)	-	(19,250,130)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 30)	10,094,746	-	-	-	-	10,094,746
Balance at 30 June 2018	<u>78,845,186</u>	<u>(6,922,095)</u>	<u>(959)</u>	<u>(19,675,987)</u>	<u>350</u>	<u>52,246,495</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**JB Financial Group Pty Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		58,519,258	5,375,964
Payments to suppliers and employees		(53,384,396)	(5,946,593)
Collection on purchased debt ledgers		83,704	-
Interest paid		(350,954)	(21,408)
Tax paid		(1,496,591)	(835,873)
Interest received		202,738	1,664
Payment to broker for initial trading margin		(3,414,108)	-
Net cash from/(used in) operating activities	44	<u>159,651</u>	<u>(1,426,246)</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiaries, net of cash acquired	41	3,557,903	(6,355,135)
Payments for purchases of financial assets for trading		(15,927)	-
Payments for investments		(1,199,999)	-
Payments for property, plant and equipment	18	(2,141,711)	(317,586)
Payments for intangibles	19	(887,777)	(26,241)
Payments for advance to related party		-	(1,950,000)
Payments for other investments		(294,576)	(341,818)
Proceeds from disposal of property, plant and equipment		75,843	-
Net cash used in investing activities		<u>(906,244)</u>	<u>(8,990,780)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares in current year	30	7,169,272	11,795,492
Proceeds from issue of shares in prior year		5,869,404	-
Proceeds from borrowings		2,200,000	5,155,667
Repayment of borrowings		(401,900)	-
Payment of pre-acquisition dividends		-	(2,001,213)
Net cash from financing activities		<u>14,836,776</u>	<u>14,949,946</u>
Net increase in cash and cash equivalents		14,090,183	4,532,920
Cash and cash equivalents at the beginning of the financial year		<u>4,532,920</u>	-
Cash and cash equivalents at the end of the financial year	13	<u><u>18,623,103</u></u>	<u><u>4,532,920</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
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**Note 1. Reporting Entity**

JB Financial Group Pty Ltd (the Company) is a company domiciled in Australia. Its registered office and principal place of business is:

Level 9  
123 Eagle Street  
Brisbane QLD 4000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 October 2018.

The Group is a subsidiary of John Bridgeman Limited (JBL), the ultimate parent company.

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

**Note 2. Significant accounting policies**

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

**Basis of preparation**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards Board (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

***Historical cost convention***

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

***Critical accounting estimates***

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Going concern**

For the year ended 30 June 2018, the loss for the Group after tax amounted to \$19,250,581. At the end of the financial year current liabilities exceeded current assets by \$2,255,424. Notwithstanding the reported results, this financial report has been prepared on a going concern basis as the directors consider that the Company and the consolidated entity will be able to realise their assets and settle their liabilities in the normal course of business and at amounts stated in the financial report.

The directors have made enquiries of management, examined the Group's current financial position and financial forecasts. Despite any material uncertainty that may cast doubt about the Group's ability to continue as a going concern the directors have a reasonable expectation that the Company and the Group has adequate financial resources to continue as a going concern.

Significant matters identified by the directors include:

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**Note 2. Significant accounting policies (continued)**

- The reported loss is not considered by the directors to reflect the expected future performance of the Group. Operating expenses for the reporting period included significant non-recurring and non-cash expenses arising from acquisition of new businesses, restructuring costs, redundancy payments, fair value adjustments, impairment, depreciation and amortisation costs.
- Cost reductions implemented in the first half of calendar year 2018 are expected to provide positive operating cash flows to the Group over the medium term. Having absorbed the initial acquisition, restructuring and development costs within the Group, management of capital expenditure and growth is forecast to reduce short term funding required for growth of the business divisions.
- Subsequent to the end of the financial year, the Group's maturing debt facilities have either been repaid, converted to equity or had maturity terms extended. Details of the changes are identified at Note 43 Events after the reporting period.

The continuation of the Company and the Group as a going concern is dependent on their ability to achieve the following objectives:

- Forecast positive cash flows from operations
- Proposed capital expenditure management
- Capital raisings by way of debt or equity
- Realisation of surplus assets and sale of existing assets or companies either by a float or trade sale.

Should the above actions not generate the expected cash flows, the Company may not be able to meet its debts as and when they become due and payable, and it may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 40.

**Principles of consolidation**

The consolidated financial statements incorporate the results of all subsidiaries of JB Financial Group Pty Ltd as at 30 June 2018. The Company and its subsidiaries together are referred to in these financial statements as the Group.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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**Note 2. Significant accounting policies (continued)**

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is JB Financial Group Pty Ltd's functional and presentation currency. All amounts have been rounded to the nearest dollar unless otherwise stated.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Comparative figures**

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial period.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Derivatives are classified as current or non-current depending on the expected period of realisation.

**Investments and other financial assets**

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

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 2. Significant accounting policies (continued)**

*Impairment of financial assets*

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

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Income tax**

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 2. Significant accounting policies (continued)**

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

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

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

JB Financial Group Pty Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

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

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

**AASB 9 Financial Instruments**

AASB 9 Financial Instruments (AASB 9) is effective for annual periods beginning on or after 1 January 2018. It is expected to be adopted by the Group for the year ending 30 June 2019.

The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. The Group has not finalised its initial assessment of the impact of AASB 9.

*Classification – financial assets*

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

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



**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 2. Significant accounting policies (continued)**

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

Based on the Group's preliminary qualitative assessment of the classification of financial assets and financial liabilities of the Company:

- financial instruments classified as held for trading under AASB 139 (derivatives) will continue to be classified as such under AASB 9;
- financial instruments currently measured at FVTPL under AASB 139 are designated into this category because they are managed on a fair value basis in accordance with the investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under AASB 9; and
- financial instruments currently measured at amortised cost are: cash balances and receivables. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held to collect business model. Accordingly, they will continue to be measured at amortised cost under AASB 9.

*Impairment – financial assets and contract assets*

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

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

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

The Group has not finalised its initial assessment of the impact of AASB 9 on the Group's trade receivables as at 30 June 2018.

*Hedge accounting*

The Company does not apply hedge accounting: therefore, AASB 9 hedge accounting related changes do not have an impact on the financial statements of the Company.

*Classification – financial liabilities*

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

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

The Groups preliminary assessment did not indicate any material impact if AASB 9's requirements regarding the classification of financial liabilities were applied at 30 June 2018.

*Disclosures*

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

*Transition*

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

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts resulting from adoption will be recognised in equity as at 1 July 2018.
- New accounting requirements for hedging should be applied prospectively, but may be applied retrospectively for forward points. The Group is not expecting to apply hedge accounting.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 2. Significant accounting policies (continued)**

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial publication:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB 15 is applicable for the 30 June 2019 consolidated financial statements.

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

*Rendering of services*

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

Under the new AASB 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells services in separate transactions. Based on initial assessment, the fair value and stand-alone selling prices are relatively similar.

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

- Expected value (sum of probability-weighted amounts in a range of possible outcomes); or
  - Most likely amount (single most likely outcome when the transaction amount has a limited number of possible outcomes).
- The above are capped at the 'constraint': an amount for which it is 'highly probable' that a significant reversal will not occur.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Note 3. Critical accounting judgements, estimates and assumptions**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

*Purchase Debt Ledgers (PDLs)*

PDLs are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, PDLs are measured at amortised cost using the effective interest method, less any impairment losses.

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

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

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Carrying value of goodwill*

The five CGUs identified within the JBFG Consolidated Group are:

- Broking
- Foreign currency exchange
- Commercial lending
- Mercantile service businesses
- Proprietary trading

The Group has evaluated the recoverability of goodwill with reference to the directors' assessment of the fair value less costs of disposal of each cash generating unit. Where fair value less costs to sell did not exceed the carrying value of the CGU, a value in use calculation was used to evaluate impairment of the CGU.

*Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value. Therefore the category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Intangible assets other than goodwill*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

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

*Lease make good provision*

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

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Business combinations*

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

**Note 4. Revenue**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Foreign currency exchange revenue	11,368,150	4,328,682
Proprietary trading revenue	14,777,787	-
Professional services	17,892,081	1,062,708
Brokerage and commission	5,039,385	1,031,415
Revenue	<u>49,077,403</u>	<u>6,422,805</u>

*Foreign currency exchange revenue*

Foreign currency revenue is the difference between the cost and selling price of currency (foreign currency margin) and the revaluation of open foreign exchange positions to fair value. Foreign currency margin revenue is recognised as earned when the transaction is completed.

*Proprietary trading revenue*

Proprietary trading revenue are the gains/losses that arise from exchange traded derivatives and are recognised in the statement of profit and loss.

*Professional services*

Revenue recognition relating to professional services is determined in proportion to the stage of completion of the transaction at reporting date. When the outcome cannot be measured reliably, revenue is recognised only to the extent that related expenditure is recoverable.

*Brokerage and commissions income*

Brokerage and commission income consists of fees earned from undertaking requested investing activities, and are recognised as services are performed.

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain/ (loss)	(186,288)	5,162
Interest income	178,049	7,623
Interest income on purchased debt ledgers	90,679	-
Net gain/ (loss) on financial instruments at fair value through profit or loss	2,346	-
Other income	136,712	10,263
Other income	<u>221,498</u>	<u>23,048</u>

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
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**Note 5. Other income (continued)**

*Net gain/(loss) on financial instruments at fair value through profit or loss*

Gains and losses arising from changes in the fair value of investments held are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise. Accounting policy information and valuation techniques applied in the measurement of fair values is disclosed in Note 35.

*Interest income*

Interest revenue is recognised as it accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Note 6. Operating expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Foreign banknote usage fee	618,511	-
Commissions paid to investment brokers	2,199,951	248,191
Dealing expenses	39,893	2,836
Depreciation and amortisation	991,354	70,443
Interest expense	456,232	54,643
Rental expenses	3,359,812	716,500
Exchange fees	4,559,866	-
	<u>12,225,619</u>	<u>1,092,613</u>

**Note 7. Traders fees**

Traders fees are the profit share earned by proprietary traders of Genesis. Refer to note 23 (b).

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Traders fees	<u>5,617,466</u>	<u>-</u>

**Note 8. Employee benefits expense**

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short term benefits and fees	19,145,898	3,209,568
Post-employment benefits	1,388,333	312,744
Long term benefits	<u>23,373</u>	<u>14,399</u>
	<u>20,557,604</u>	<u>3,536,711</u>

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
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**Note 9. Professional services expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Professional services expenses - Consultants	8,303,181	744,038
Professional services expenses - Legal expenses	445,807	-
Professional services expenses - Accounting and audit expenses	922,965	302,534
Insurance	226,989	57,067
	<u>9,898,942</u>	<u>1,103,639</u>

**Note 10. Other expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Travel expenses	552,331	221,591
Merchant Fees	144,947	41,209
Advertising	485,896	133,302
Administration costs	258,537	-
Printing and stationery	239,017	103,968
IT and communications	1,127,715	-
Professional subscriptions	643,786	138,265
Transport	223,259	-
Utilities	194,073	-
Staff related expenses	128,762	-
Security expenses	526,294	-
Net loss on disposal of property, plant and equipment	11,204	-
Unrealised losses on investments	-	1,352
Other	945,052	373,724
	<u>5,480,873</u>	<u>1,013,411</u>

**Note 11. Impairment expense**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Impairment - Purchased debt ledgers	2,124,346	-
Impairment - Software (note 19)	642,186	-
Impairment on related party loan	1,265,990	-
Impairment of goodwill (note 19)	12,735,823	-
	<u>16,768,345</u>	<u>-</u>

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
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**Note 12. Income tax benefit**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2018</b>	<b>2017</b>
	\$	\$
<i>Income tax benefit</i>		
Current tax	858,133	978,557
Deferred tax	<u>(2,857,500)</u>	<u>(1,072,087)</u>
Aggregate income tax benefit	<u><u>(1,999,367)</u></u>	<u><u>(93,530)</u></u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	<u>(21,249,948)</u>	<u>(300,521)</u>
Tax at the statutory tax rate of 30%	(6,374,984)	(90,156)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	4,388,122	(2,716)
Differential tax rates across jurisdictions	396	(658)
Prior years unders / overs	<u>(12,901)</u>	<u>-</u>
Income tax benefit	<u><u>(1,999,367)</u></u>	<u><u>(93,530)</u></u>

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2018</b>	<b>2017</b>
	\$	\$
<i>Deferred tax assets</i>		
Deferred tax assets comprises temporary differences attributable to:		
Impairment of receivables	90,679	(60,379)
Provision for trader settlements	2,282,482	-
Short term provisions and other payables	700,601	574,676
Tax losses carried forward	1,141,828	892,772
Unrealised (gains)/losses on financial assets	751,338	140,029
Accrued revenue	(255,985)	-
Intangibles	41,341	-
Property, plant and equipment	74,101	(4,263)
Other current assets	(729)	16,754
Work in progress	<u>(162,872)</u>	<u>-</u>
Total deferred tax assets	<u><u>4,662,784</u></u>	<u><u>1,559,589</u></u>

**Note 13. Current assets - Cash and cash equivalents**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2018</b>	<b>2017</b>
	\$	\$
Currency held as stock (a)	9,140,900	2,763,176
Cash at bank (b)	<u>9,482,203</u>	<u>1,769,744</u>
	<u><u>18,623,103</u></u>	<u><u>4,532,920</u></u>

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
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**Note 13. Current assets - Cash and cash equivalents (continued)**

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

(b) Cash at bank includes an amount of \$4,227,700 for segregated client funds (2017: \$22,881). This amount is held on behalf of clients for trading whose use is restricted to the settlement of associated liability. Refer to note 23.

*Accounting policy for cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Note 14. Current assets - Trade and other receivables**

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
Trade receivables	4,791,471	3,299,073
Less: Provision for impairment of receivables	(48,242)	(82,599)
	<u>4,743,229</u>	<u>3,216,474</u>
Other receivables	542,985	2,563,481
Receivables from related parties	441,302	11,785,706
	<u><u>5,727,516</u></u>	<u><u>17,565,661</u></u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$3,107,374 as at 30 June 2018 (\$1,595,621 as at 30 June 2017).

The ageing of the past due but not impaired receivables are as follows:

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
0 to 3 months overdue	2,431,461	1,382,356
3 to 6 months overdue	675,913	213,265
	<u><u>3,107,374</u></u>	<u><u>1,595,621</u></u>

*Accounting policy for trade and other receivables*

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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



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**Note 15. Current assets - Balances held with brokers**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Balances held with brokers	<u>3,414,108</u>	<u>-</u>

The amount represents security against initial margins on open derivative positions.

The brokers have restricted use of these funds until the open positions are closed.

**Note 16. Current assets - Derivative assets**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Futures	<u>15,928</u>	<u>20,904</u>

Refer to note 35 for further information on fair value measurement.

**Note 17. Current assets - Other**

Other current assets consist of prepayments and deposits which have been or are expected to be realised within 12 months of the reporting date.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Accrued revenue	698,559	-
Prepayments	411,217	220,230
Other current assets	<u>68,776</u>	<u>-</u>
	<u>1,178,552</u>	<u>220,230</u>

**Note 18. Non-current assets - Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Leasehold improvements - at cost	2,601,131	666,982
Less: Accumulated depreciation	<u>(387,265)</u>	<u>(19,320)</u>
	<u>2,213,866</u>	<u>647,662</u>
Plant and equipment - at cost	830,388	442,174
Less: Accumulated depreciation	<u>(153,064)</u>	<u>(40,014)</u>
	<u>677,324</u>	<u>402,160</u>
Motor vehicles - at cost	316,281	322,042
Less: Accumulated depreciation	<u>(76,854)</u>	<u>(9,622)</u>
	<u>239,427</u>	<u>312,420</u>
	<u>3,130,617</u>	<u>1,362,242</u>

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**Note 18. Non-current assets - Property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Leasehold improvements \$</b>	<b>Plant and equipment \$</b>	<b>Motor vehicles \$</b>	<b>Total \$</b>
Balance at 1 July 2016	-	-	-	-
Additions	171,111	146,475	-	317,586
Additions through business combinations (note 41)	495,871	295,699	322,042	1,113,612
Depreciation expense	(19,320)	(40,014)	(9,622)	(68,956)
Balance at 30 June 2017	647,662	402,160	312,420	1,362,242
Additions	1,482,533	625,488	33,690	2,141,711
Additions through business combinations (note 41)	117,762	128,115	16,115	261,992
Disposals	-	(31,482)	(55,566)	(87,048)
Exchange differences	-	(55)	-	(55)
Transfers in/(out)	333,853	(333,853)	-	-
Depreciation expense	(367,944)	(113,048)	(67,233)	(548,225)
Balance at 30 June 2018	<u>2,213,866</u>	<u>677,325</u>	<u>239,426</u>	<u>3,130,617</u>

*Accounting policy for property, plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

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

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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**Note 19. Non-current assets - Intangibles**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	56,680,540	46,023,938
Less: Impairment	<u>(12,735,823)</u>	<u>-</u>
	<u>43,944,717</u>	<u>46,023,938</u>
Software - at cost	3,585,863	72,406
Less: Accumulated amortisation	(306,817)	(1,488)
Less: Impairment	<u>(642,186)</u>	<u>-</u>
	<u>2,636,860</u>	<u>70,918</u>
Other intangibles	268,878	-
Less: Accumulated amortisation	<u>(137,804)</u>	<u>-</u>
	<u>131,074</u>	<u>-</u>
	<u><u>46,712,651</u></u>	<u><u>46,094,856</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Goodwill</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>intangibles</b>	<b>\$</b>
			<b>\$</b>	
Balance at 1 July 2016	-	-	-	-
Additions	-	26,241	-	26,241
Additions through business combinations	46,023,938	46,165	-	46,070,103
Amortisation expense	<u>-</u>	<u>(1,488)</u>	<u>-</u>	<u>(1,488)</u>
Balance at 30 June 2017	46,023,938	70,918	-	46,094,856
Additions	-	887,777	2,000	889,777
Additions through business combinations (note 41)	13,260,563	25,680	266,878	13,553,121
Finalisation of provisional accounting (a)	(2,600,000)	2,600,000	-	-
Exchange differences	(3,961)	-	-	(3,961)
Impairment of assets	(12,735,823)	(642,186)	-	(13,378,009)
Amortisation expense	<u>-</u>	<u>(305,329)</u>	<u>(137,804)</u>	<u>(443,133)</u>
Balance at 30 June 2018	<u><u>43,944,717</u></u>	<u><u>2,636,860</u></u>	<u><u>131,074</u></u>	<u><u>46,712,651</u></u>

*(a) Provisional accounting - Adjustment of comparatives*

On 11 May 2017 RSM acquired a business called Advance Group Holdings Pty Ltd (Advance). Management commissioned an independent valuation report from a third party to value the major IT management system acquired as part of Advance. Based on the valuation, the Company concludes that the fair value of the IT system was \$2,600,000 as at 11 May 2017.

The estimated useful life has been assessed as 10 years as the IT system has been identified as part of the core operation and management of the business. As a result of this measurement period adjustment, the comparative information presented in the 2017 financial statements is restated as follows:

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**Note 19. Non-current assets - Intangibles (continued)**

	<b>As reported 30 June 2017 \$</b>	<b>As restated 30 June 2017 \$</b>
Profit or loss (software amortisation expense)	(3,630)	(39,939)
Goodwill	35,694,588	33,094,588
Software	-	2,600,000
	<u>35,690,958</u>	<u>35,654,649</u>

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

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Impairment testing for CGU's containing goodwill</b>		
Broking	2,831,412	2,831,412
Foreign currency	7,497,938	7,497,938
Mercantile service business	23,166,315	35,694,588
Commercial lending	657,318	-
Proprietary trading	9,791,734	-
	<u>43,944,717</u>	<u>46,023,938</u>

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

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

The Group has evaluated the recoverability of goodwill with reference to the directors' assessment of the fair value less costs to disposal of its subsidiaries. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation. The fair value has been determined from management forecasts prepared by the subsidiary executives and calculated on the sum of parts basis and application of a multiple which has been discounted for its unlisted status and liquidity. This approach was considered most appropriate given the businesses owned by the Company vary significantly in terms of their operational nature, capital requirements, return on capital employed and earnings profile.

Key assumptions in the calculation were as follows:

<b>Cash Generating Unit</b>	<b>Valuation methodology and forecast period</b>
Broking	Earnings multiple method using Enterprise Value (EV) to EBITDA on forecast for FY19
Foreign currency	Earnings multiple method using Enterprise Value (EV) to EBITDA on forecast for FY19
Mercantile service business	Value in use (VIU) using 5 year discounted cash flow
Commercial lending	See (1) below
Proprietary trading	Earnings multiple method using Enterprise Value (EV) to EBITDA on forecast for FY19

(1) The recoverable amount of the Commercial Lending business were assessed using the acquisition price as this business is still in an early growth phase and is smaller in scale than other comparable listed companies.

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**Note 19. Non-current assets - Intangibles (continued)**

The following table shows the amount by which these two assumptions (Forecast EBITDA and earnings multiple) would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	<b>EBITDA \$m</b>	<b>Earnings multiple</b>
Broking	(3.0)	(7.8)
Foreign currency	(4.3)	(8.9)
Proprietary trading	(4.9)	0.1

The valuation of the commercial lending CGU would have to decrease by \$1m for the recoverable amount to equal the carrying amount.

The recoverable amount of the mercantile services CGU is equal to the carrying amount as a result of impairment expense of \$12.7m recognised at 30 June 2018. Therefore, any adverse movement in a key assumption would lead to further impairment.

*Broking and Proprietary Trading*

The entities within the broking and proprietary trading businesses have simple, low leverage capital structures and therefore an EV/EBITDA valuation approach has been adopted. Forecast EBITDA for these businesses have been calculated using historical performance and applying a growth rate indicative of future strategic alliances and expectation of additional volumes from the planned launches of new funds. Earnings multiples have been taken from comparable listed entities with a discount applied to the multiple to take into consideration the lack of trading liquidity of the shares.

*Foreign Currency*

The foreign currency exchange business has a history of profitability and is expecting strong growth with a defined store rollout plan to FY20 which supports the use of EV/EBITDA as an appropriate metric for valuation. Forecast EBITDA for this business has been calculated using historic earnings and a growth rate based on the projected store roll out for FY19. Earnings multiples of comparable listed entities have been used as the benchmark.

*Mercantile Service Business*

Forecast EBITDA for the mercantile business has been calculated using historical earnings and applying a growth rate to the recent integration of the entities within this CGU. Earnings multiples of comparable listed entities have been used as the benchmark, with a liquidity factor deducted from the comparable entity multiples.

The recoverable amount of this CGU was based on its value in use as the fair value less cost to sell determined using a EV/EBITDA valuation approach was less than the carrying amount of the mercantile group. The value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be \$12.7m higher than its recoverable amount, which has been fully recognised as an impairment loss (2017: nil). The impairment loss was fully allocated to goodwill and included in impairment of assets.

The key assumptions used in the estimation of value in use were as follows:

<b>In percent</b>	<b>2018</b>	<b>2017</b>
Discount rate	12.0	12.2
Terminal value growth rate	2.0	3.0
Budgeted EBITDA growth rate (average of next five years)	13.2	8.0

The discount rate chosen is based on the perceived risk associated with investing in equities and taking into account that the shares are not listed on a recognised exchange and cannot be traded easily. Furthermore, the discount rate also takes into account the systematic risk of the specific CGU.

Five years of cash flows were included in the discounted cash flow model. A long term growth rate into perpetuity was determined by management as being a stable cash flow growth rate by management which represents a prudent growth rate which is representative of a mature company that is close to nominal gross domestic product (GDP) rate for the jurisdictions in which the CGU already operates in and anticipates to expand into.

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**Note 19. Non-current assets - Intangibles (continued)**

Forecast EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for future anticipated revenue growth, including the impact of expanding into a new market. It was assumed that mature revenue streams would grow at a constant margin above forecast inflation, with the impact of expansion providing further revenue growth over the next five years.

*Accounting policy for intangible assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Software*

Internally generated software is developed by the entity itself to meet specific business needs when an off the shelf option is not available, or is significantly modified for internal use. Software costs are capitalised as an asset on the basis that the costs result in a future economic benefit to the entity and they can be measured reliably. For an internally generated intangible asset, the cost of the asset comprises all directly attributable costs during the development phase necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

*Impairment of internally developed software*

The Group recognised an impairment expense of \$642,186 for the total amount of its software development asset in JB Fintech Services as the software is being transferred to an external entity as consideration for a minority interest investment.

**Note 20. Non-current assets - Deferred tax**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Deferred tax asset	<u>4,662,784</u>	<u>1,559,589</u>

**Note 21. Non-current assets - Purchased debt ledgers**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Purchased debt ledgers	2,559,008	-
Provision for purchased debt ledgers (a)	<u>(2,124,346)</u>	<u>-</u>
	<u>434,662</u>	<u>-</u>

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**Note 21. Non-current assets - Purchased debt ledgers (continued)**

(a) Tranches of purchased debt ledgers are grouped together on the basis of similar credit characteristics for the purpose of calculating collective impairment losses. Collective impairment provisions are currently based on the historical loss experience in the industry applied to current available observable data on the tranches. Management continue to monitor the performance and key estimates used in determining whether any objective evidence exists that a PDL may be impaired by comparing the carrying value of the purchased debt ledger initially recognised and the expected cashflows forecasts on the collection. Regular assessment of the estimated forecast amortisation rate applied to PDLs. For the year ended 30 June 2018, the Company estimated that PDLs amortise at a rate of 48% per annum (2017: 48%). The amount required to bring the collective provision for impairment to its required level is charged to profit or loss.

**Note 22. Non-current assets - Security deposits**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Security deposits - refundable	<u>615,348</u>	<u>81,113</u>

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

**Note 23. Current liabilities - Trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Trade payables	3,758,416	1,974,777
Foreign currency bank notes payable (a)	8,213,198	-
Commission payable to traders (b)	7,608,273	-
Payables to related parties	1,008,131	-
Client funds	4,227,700	-
Payable in respect of subsidiary acquisition	60,000	60,000
Accrued expenses	1,040,845	564,479
Other payables	<u>5,776</u>	<u>28,339</u>
	<u>25,922,339</u>	<u>2,627,595</u>

(a) Foreign currency banknotes are held in the custody of JBFX Wholesale Pty Ltd (JBFX) and Kings Currency Exchange Pty Ltd (controlled entities of the Group). JBFX has secure storage facilities and operates a wholesale foreign currency business. The banknotes are traded and managed by JBFX on behalf of Benjamin Hornigold Limited (BHD) and Henry Morgan Limited (HML) under a services agreement which provides for a minimum return of 9% per annum on the Australian dollar value of the banknotes. Realised returns over 9% per annum on the banknotes are retained by JBFX as a fee for trading the banknotes on behalf of BHD and HML. As custodian of the banknotes, any foreign exchange movement in the value of the banknotes accrues as part of the payable from the Group. Trading fees of \$618,511 is recognised as operating expenses of which \$49,619 on the banknotes are included in accrued expenses.

(b) Commission payable to traders represents the commission payable to traders using Genesis proprietary trading platform based on trading profits which the trader has generated. Traders may request a draw-down of commission on a monthly basis but regularly allow the commission to accumulate. Traders will share a certain profit earned on the trades based on the profit sharing arrangement. Refer to Note 6 for traders fee recognised in profit or loss.

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted.

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**Note 24. Current liabilities - Borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Bank overdraft	206	325,900
Loans from related parties (a)	2,348,994	5,229,383
Host loan held at amortised cost (b)	2,305,278	-
Other	27,553	6,015
Hire purchase	75,026	89,655
	<u>4,757,057</u>	<u>5,650,953</u>

*Reconciliation of movements of liabilities to cash flow arising from financing activities*

	<b>Bank overdraft</b>	<b>Other loans and borrowings</b>	<b>Convertible loan</b>	<b>Loans from related parties</b>	<b>Finance lease liabilities</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Changes from financing cashflows</b>						
Balance at 1 July 2017	325,900	27,552	-	5,229,383	306,976	5,889,811
Settlement of debt	(325,694)	(11,966)	-	14,624	(93,537)	(416,573)
Proceeds from debt raised	-	-	2,200,000	-	-	2,200,000
Total for changes from financing activities	(325,694)	(11,966)	2,200,000	14,624	(93,537)	1,783,427
Changes arising from obtaining control of subsidiaries	-	(2,722)	-	106,004	60,297	163,579
Interest expense	-	-	105,278	-	-	105,278
Non-cash movements	-	-	-	(2,890,314)	-	(2,890,314)
Total liability related and other charges	-	-	105,278	(2,890,314)	-	(2,785,036)
Balance at 30 June 2018	206	12,864	2,305,278	2,459,697	273,736	5,051,781

(a) On 10 July 2017, Capital Credit Pty Ltd (formerly known as Growth Point Capital) (CC), a controlled entity entered into a loan agreement with HML. A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate. Should HML elect, the loan may be repaid wholly or in part by way of shares of CC.

On 10 July 2018 the loan was extended until 7 January 2020. Subsequent to the year end, all of the accrued interest and 5% of the loan capital has been repaid.

On 10 July 2017, Capital Credit Pty Ltd (formerly known as Growth Point Capital) (CC), a controlled entity entered into a loan agreement with JBL. A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate.

On 24 September 2018 the loan was extended until 10 July 2020.

On 8 June 2017, King's Currency Exchange Pty Ltd, a controlled entity entered into a loan agreement with JBL. A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate.

On 24 September 2018 the loan was extended until 8 July 2020. Subsequent to year end, all of the loan capital has been repaid.

On 20 January 2017, Risk & Security Management Pty Ltd, a controlled entity entered into a loan agreement with JBL. A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate.

On 24 September 2018 the loan was extended until 19 January 2020. Subsequent to year end, all of the loan capital and accrued interest has been repaid.



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**Note 24. Current liabilities - Borrowings (continued)**

(b) On 11 September 2017, the Company entered into a convertible loan agreement with BHD for \$2,200,000. In the event of default, the loan is secured over 100% of the shares in Genesis. The agreement had a maturity of one year and a 9.65% annual interest rate applies. At BHD's election and at any time until maturity, the outstanding amount may be settled in cash, or shares in the Company at a fixed rate of \$6.14 per share, or, shares in Genesis at \$9.98 per share.

Subsequent to year end, on 11 September 2018 the term of the convertible note was extended by 18 months to a maturity date of 11 March 2020 and included an option to convert into JB Trading House shares.

**Note 25. Current liabilities - Provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	<u>1,160,745</u>	<u>764,106</u>

*Accounting policy for employee benefits*  
*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**Note 26. Non-current liabilities - Payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Other payables	<u>177,442</u>	<u>125,940</u>

Refer to note 34 for further information on financial risk management.

**Note 27. Non-current liabilities - Borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Other	4,910	26,464
Loan from related parties (1)	110,702	-
Lease incentive liabilities (2)	-	9,133
Finance lease liabilities (3)	<u>198,710</u>	<u>208,188</u>
	<u>314,322</u>	<u>243,785</u>

Refer to note 34 for further information on financial risk management.

(1) Loan from related parties are loans from John Bridgeman Limited to subsidiaries within the JBFG consolidated group, which incur interest at a rate of 5%.

(2) Lease incentive liabilities relate to rental incentives in respect of business premises leased by the Group.

(3) Finance lease liabilities consist of leases secured over motor vehicles with various rates of interest between 5.85% and 6.07%.

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**Note 27. Non-current liabilities - Borrowings (continued)**

Finance lease liabilities are payable as follows:

	<b>Future minimum lease payments 2018</b>	<b>Future minimum lease payments 2017</b>	<b>Interest 2018</b>	<b>Interest 2017</b>	<b>Present value of minimum lease payments 2018</b>	<b>Present value of minimum lease payments 2017</b>
	\$	\$	\$	\$	\$	\$
Less than one year	79,110	102,501	4,084	11,730	75,026	90,771
Between one and five years	214,516	233,381	15,806	26,309	198,710	207,072
	<u>293,626</u>	<u>335,882</u>	<u>19,890</u>	<u>38,039</u>	<u>273,736</u>	<u>297,843</u>

*Total secured liabilities*

*Accounting policy for borrowings*

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

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

**Note 28. Non-current liabilities - Provisions**

	<b>Consolidated 2018</b>	<b>Consolidated 2017</b>
	\$	\$
Employee benefits	260,995	262,955
Lease make good	301,384	141,186
	<u>562,379</u>	<u>404,141</u>

*Accounting policy for provisions*

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

*Accounting policy for other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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**Note 29. Current liabilities - Income tax**

	Consolidated 2018 \$	2017 \$
Provision for income tax	235,627	628,389

**Note 30. Equity - Issued capital**

	2018 Shares	2017 Shares	Consolidated 2018 \$	2017 \$
Ordinary shares - fully paid	26,920,863	25,303,788	78,845,186	68,750,440
<b>Consolidated</b>			<b>2018 \$</b>	<b>2017 \$</b>
<b>Movements in shares on issue</b>				
Balance at the beginning of the year			68,750,440	-
1,200 ordinary shares issued at \$1.00 on 11 July 2016			-	1,200
235 ordinary shares issued at \$26,595.74 on 9 December 2016			-	6,250,000
72 ordinary shares issued at \$26,805.56 on 30 December 2016			-	1,930,000
3,119,384 ordinary shares issued at \$5.86 on 27 April 2017			-	17,187,806
256080 ordinary shares issued at \$5.86 on 27 April 2017			-	1,500,000
362,976 ordinary shares issued at \$5.51 on 25 May 2017			-	1,999,998
6,495,348 shares issued at \$6.14 on 5 June 2017			-	39,881,436
69,620 ordinary shares issued at \$7.90 on 11 September 2017			549,999	-
895,765 ordinary shares issued at \$6.14 on 13 September 2017			5,499,998	-
25,316 ordinary shares issued at \$7.90 on 20 September 2017			199,997	-
28,000 ordinary shares issued at \$7.90 on 9 October 2017			221,200	-
35,291 ordinary shares issued at \$7.90 on 31 October 2017			278,799	-
20 ordinary shares issued at \$7.90 on 17 November 2017			158	-
563,063 ordinary shares issued at \$5.94 on 28 June 2018			3,344,595	-
			<u>78,845,186</u>	<u>68,750,440</u>

*Ordinary shares*

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

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

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**Note 30. Equity - Issued capital (continued)**

*Capital risk management*

Capital risk management

Management manages the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The following Group entities holding Australian Financial Services Licences ('AFSLs') are subject to externally imposed capital requirements:

- JB Markets Pty Ltd
- JB Alpha Ltd

The AFSLs set base level financial requirements including conditions requiring positive net assets, surplus cash balances and access to enough financial resources to meet liabilities. There were no identified breaches of the conditions during the reporting period.

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

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

There have been no events of default on the financing arrangements during the financial year.

The capital management policy remains unchanged from the 30 June 2017 Annual Report.

**Note 31. Equity - Reserves**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Foreign currency reserve	(959)	-
Shareholder change in interest reserve	(6,922,095)	(6,923,505)
	<u>(6,923,054)</u>	<u>(6,923,505)</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of a New Zealand subsidiary to Australian dollars.

*Shareholder change in interest reserve*

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

**Note 32. Equity - Accumulated losses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Accumulated losses at the beginning of the financial year	(425,406)	-
Loss after income tax benefit for the year	(19,250,581)	(425,406)
Accumulated losses at the end of the financial year	<u>(19,675,987)</u>	<u>(425,406)</u>

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**Note 33. Equity - Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 34. Financial risk management**

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

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

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

***Market risk***

***Foreign currency risk***

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The net carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US dollars	-	456,748	582,588	-
Euros	752,097	278,429	-	-
Pound Sterling	-	173,107	3,255	-
New Zealand dollars	36,080	252,336	-	-
Japanese yen	174,603	146,776	-	-
Canadian dollars	92,429	87,411	-	-
Thai Baht	-	71,464	315,544	-
Fiji dollars	94,320	69,768	-	-
Singapore dollars	-	68,408	113,009	-
Chinese Yuen	-	60,277	1,413	-
Other	182,141	538,396	-	-
	<u>1,331,670</u>	<u>2,203,120</u>	<u>1,015,809</u>	<u>-</u>

***Currency risk sensitivity analysis***

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**Note 34. Financial risk management (continued)**

Consolidated - 2018	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
United States Dollar	3%	17,478	17,478	3%	(17,478)	(17,478)
Euro	3%	(22,563)	(22,563)	3%	22,563	22,563
Pound sterling	3%	97	97	3%	(97)	(97)
New Zealand Dollar	3%	(1,082)	(1,082)	3%	1,082	1,082
Japanese Yen	3%	(5,238)	(5,238)	3%	5,238	5,238
Canadian Dollar	3%	(2,773)	(2,773)	3%	2,773	2,773
Thai Baht	3%	9,466	9,466	3%	(9,466)	(9,466)
Fiji Dollar	3%	(2,829)	(2,829)	3%	2,829	2,829
Singapore Dollar	3%	3,390	3,390	3%	(3,390)	(3,390)
Other	3%	(5,421)	(5,421)	3%	5,421	5,421
		<u>(9,475)</u>	<u>(9,475)</u>		<u>9,475</u>	<u>9,475</u>

Consolidated - 2017	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
United States Dollar	3%	(13,702)	(13,702)	(3%)	13,702	13,702
Euro	3%	(8,353)	(8,353)	(3%)	8,353	8,353
Pound sterling	3%	(5,193)	(5,193)	(3%)	5,193	5,193
New Zealand dollar	3%	(7,570)	(7,570)	(3%)	7,570	7,570
Japanese Yen	3%	(4,403)	(4,403)	(3%)	4,403	4,403
Canadian dollar	3%	(2,622)	(2,622)	(3%)	2,622	2,622
Thai Baht	3%	(2,144)	(2,144)	(3%)	2,144	2,144
Fiji dollar	3%	(2,093)	(2,093)	(3%)	2,093	2,093
Singapore dollar	3%	(2,052)	(2,052)	(3%)	2,052	2,052
Other	3%	(17,960)	(17,960)	(3%)	17,960	17,960
		<u>(66,092)</u>	<u>(66,092)</u>		<u>66,092</u>	<u>66,092</u>

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

*Interest rate risk*

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

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

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

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**Note 34. Financial risk management (continued)**

<b>2018</b>	<b>Non-interest</b>	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
<b>Consolidated</b>	<b>bearing</b>	<b>interest rate</b>	<b>interest rate</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	18,623,103	-	-	18,623,103
Balances held with brokers	3,414,108	-	-	3,414,108
Trade and other receivables	5,727,515	-	-	5,727,515
Other current assets	767,335	-	-	767,335
Term deposits	-	703,849	-	703,849
Purchased debt ledgers	-	-	591,950	591,950
Derivative financial instruments	15,928	-	-	15,928
Security deposits	615,348	-	-	615,348
	<u>29,163,337</u>	<u>703,849</u>	<u>591,950</u>	<u>30,459,136</u>
	<b>Non-</b>	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
	<b>interest</b>	<b>interest rate</b>	<b>interest rate</b>	
	<b>bearing</b>			<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Financial liabilities</b>				
Trade and other payables	25,922,339	-	-	25,922,339
Convertible loan	-	2,305,278	-	2,305,278
Loans from related parties	-	2,459,697	-	2,459,697
Finance lease liabilities	75,026	198,710	-	273,736
Bank overdraft	-	-	206	206
Other non current liabilities	182,353	-	-	182,353
	<u>26,179,718</u>	<u>4,963,685</u>	<u>206</u>	<u>31,143,609</u>
	<b>Non-interest</b>	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
	<b>bearing</b>	<b>Interest rate</b>	<b>interest rate</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	4,532,920	-	-	4,532,920
Trade and other receivables	3,542,480	-	-	3,542,480
Other receivables	14,023,182	-	-	14,023,182
Other current assets	220,230	-	-	220,230
Term deposits	-	409,273	-	409,273
Security deposits	81,113	-	-	81,113
	<u>22,399,925</u>	<u>409,273</u>	<u>-</u>	<u>22,809,198</u>
	<b>Non-interest</b>	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
	<b>bearing</b>	<b>interest rate</b>	<b>interest rate</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Liabilities</b>				
Trade and other payables	2,753,535	-	-	2,753,535
Short term loan	-	5,229,383	-	5,229,383
Finance lease liabilities	-	311,904	-	311,904
Bank overdraft	-	-	325,900	325,900
Other non-current loans	-	27,552	-	27,552
	<u>2,753,535</u>	<u>5,568,839</u>	<u>325,900</u>	<u>8,648,274</u>

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**Note 34. Financial risk management (continued)**

*Interest rate sensitivity analysis*

A change of 1% in interest rates applicable at the reporting date would not have materially changed the Group's result and net assets given that a significant portion of the financial assets and financial liabilities are either non-interest bearing or have fixed interest rates. This analysis assumes that all other variables remain constant.

*Maturity Analysis*

Cash and cash equivalents are at call. Trade receivables and other current assets are due to be realised within three months. Term deposits have a maturity greater than 3 months and less than one year. Other non-current receivables consist of security deposits with various maturity dates over one year.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The carrying amount of financial assets represents the maximum credit exposure.

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents*	18,623,103	4,532,920
Purchased debt ledgers**	591,950	-
Trade and other receivables***	5,727,514	17,565,662
Security deposits	615,348	81,113
Term deposits	703,849	409,273
Balances held with brokers	3,414,108	-
Derivative financial instruments	15,928	-
Other current assets	767,335	220,230
<b>Total</b>	<b>30,459,135</b>	<b>22,809,198</b>

\* These balances are held with an AA- rated credit bank

\*\* These balances, by their nature, are a credit risk

\*\*\* As at 30 June 2018, an impairment of \$50,189 was recognised against trade receivables (2017: 82,599) and \$1,265,990 was recognised against a related party loan (2017: \$nil). Management believes that the remaining balances are collectible in full.

**Liquidity risk**

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



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**Note 34. Financial risk management (continued)**

*Remaining contractual maturities*

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

<b>Consolidated - 2018</b>	<b>1 year or less</b> \$	<b>Between 1 and 5 years</b> \$	<b>Over 5 years</b> \$	<b>Remaining contractual maturities</b> \$
<b>Non-derivatives</b>				
<i>Non-interest bearing</i>				
Trade payables	25,922,339	182,353	-	26,104,692
<i>Interest-bearing - variable</i>				
Bank overdraft	206	-	-	206
<i>Interest-bearing - fixed rate</i>				
Borrowings	2,559,713	2,022,907	-	4,582,620
Lease liability	98,708	214,516	-	313,224
Total non-derivatives	28,580,966	2,419,776	-	31,000,742

<b>Consolidated - 2017</b>	<b>%</b>	<b>1 year or less</b> \$	<b>Between 1 and 5 years</b> \$	<b>Over 5 years</b> \$	<b>Remaining contractual maturities</b> \$
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	-	2,627,595	125,940	-	2,753,535
<i>Interest-bearing - variable</i>					
Bank overdraft	-	325,900	-	-	325,900
<i>Interest-bearing - fixed rate</i>					
Borrowings	-	5,461,088	26,464	-	5,487,552
Lease liability	-	102,501	233,831	-	336,332
Total non-derivatives		8,517,084	386,235	-	8,903,319

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

**Note 35. Fair value measurement**

*Initial measurement, subsequent measurement & classification*

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

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

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

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**Note 35. Fair value measurement (continued)**

The Group classifies its financial instruments into the following categories:

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

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

***Term deposits***

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

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

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

***Fair value measurement and the fair value hierarchy***

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The table uses a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Consolidated - 2018</b>				
<i>Financial assets carried at fair value</i>				
Derivative financial instruments	15,298	-	-	15,298
Total assets	15,298	-	-	15,298

	Fair value \$	Measured at amortised cost \$
<b>Consolidated - 2018</b>		
<b>Financial assets</b>		
Purchased debt ledgers (a)	591,950	591,950
Security deposit (b)	554,344	615,348
	<u>1,146,294</u>	<u>1,207,298</u>

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**Note 35. Fair value measurement (continued)**

	Fair value \$	Measured at amortised cost \$
<b>Consolidated - 2018</b>		
<b>Financial Liabilities</b>		
Foreign currency bank notes (payable) (c)	8,213,198	8,213,198
Convertible loan (d)	2,336,121	2,305,278
Finance lease liabilities	293,334	293,334
	<u>10,842,653</u>	<u>10,811,810</u>

(a) Purchased debt ledgers (PDLs) are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, they are recognised at amortised cost. The carrying value of PDLs as at 30 June 2018 approximates fair value.

(b) Security Deposits are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, they are recognised at amortised cost.

(c) Foreign currency bank notes payable are recognised at their purchase price which is the fair value at initial recognition. This is subsequently measured at amortised cost.

(d) On 11 September 2017, the Company entered into a convertible loan agreement with BHD for \$2,200,000. The loan contains embedded derivatives which represent the BHD's ability to convert any outstanding amount owing on the loan at any time to maturity into shares in the Company or Genesis at a fixed price per share. Both the Company and Genesis have unquoted equity instruments. The current share price of the Company and Genesis has been assessed in comparison to the strike price attached to the convertible loan and has determined that the value of the shares in the Company and Genesis is less than the current conversion price. As a result the embedded derivative is valued at \$NIL.

The host contract is valued at amortised cost using a discounted cash flow model for expected repayments.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Consolidated - 2017</b>				
<i>Assets</i>				
Investment in commodities	20,904	-	-	20,904
Total assets	<u>20,904</u>	<u>-</u>	<u>-</u>	<u>20,904</u>

Valuation techniques for fair value measurements categorised within Level 2 and 3

**Convertible loan**

The valuation technique has been discussed above.

The carrying amounts cash and cash equivalents, balances held with brokers, term deposits, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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**Note 35. Fair value measurement (continued)**

*Level 3 assets and liabilities*

The following tables indicate the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the Statement of Financial Position, together with the significant unobservable inputs used in the measurement of their fair value:

Description	Valuation method	Significant unobservable inputs	Sensitivity
Convertible loan designated at fair value through profit or loss	Embedded derivative: a Black-Scholes pricing model was used, which incorporated forecast earnings for the valuation of shares in Genesis Proprietary Trading Pty Ltd (Genesis)	- Forecast earnings - Market multiple	The estimated fair value would increase (decrease) if: - the forecast earnings were higher (lower); or - the market multiple was higher (lower)
Foreign currency bank notes (payable)	The fair value is determined using quoted spot exchange rates at the reporting date in the respective currencies.	Not applicable	Not applicable

*Accounting policy for fair value measurement*

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

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

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

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

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**Note 36. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
Short-term employee benefits	2,035,408	754,915
Post-employment benefits	195,410	66,967
Long-term benefits	40,724	8,446
	<u>2,271,542</u>	<u>830,328</u>

There was no share-based remuneration of KMP during the year ended 30 June 2018 (2017: \$nil).

**Note 37. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by , the auditor of the company, and unrelated firms:

	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<i>Audit services - KPMG</i>		
Audit of the financial statements	<u>311,500</u>	<u>215,025</u>
<i>Other services - KPMG</i>		
Audit financial services license	<u>16,500</u>	<u>22,000</u>
	<u>328,000</u>	<u>237,025</u>
<i>Audit services of JB Alpha Ltd - BDO East Coast Partnership</i>		
Audit of the financial statements	<u>12,500</u>	<u>11,000</u>
<i>Other services - BDO East Coast Partnership</i>		
Audit financial services license	<u>3,200</u>	<u>2,500</u>
	<u>15,700</u>	<u>13,500</u>

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 38. Commitments**

At 30 June 2018, the future minimum lease payments under non-cancellable leases were payable as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,777,143	1,829,236
One to five years	7,240,649	5,083,528
More than five years	-	1,590,668
	<u>10,017,792</u>	<u>8,503,432</u>

**Note 39. Related party transactions**

In the normal course of business, the Group transacts with entities regarded as related parties. In accordance with the expanded definition of related party in AASB 124 'Related Party Disclosures', the Company may be required to disclose transactions with the entities included below, notwithstanding the fact that the Company does not exercise control over the financial and operating policies of those entities.

During the year ended 30 June 2018, the following transactions with entities that may be regarded as related parties in accordance with the Accounting Standards occurred.

- i) The compensation arrangements with the key management personnel;
- ii) The interest in the Company held directly and indirectly by the key management personnel.
- iii) Various loans, agreements and equity transactions occurred between entities within the Group and with associated entities as noted below.

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

JBL - John Bridgeman Limited  
BRL - Bartholomew Roberts Pty Ltd  
HML - Henry Morgan Limited  
BHD - Benjamin Hornigold Limited  
CC - Capital Credit Pty Ltd (formerly Growth Point Capital Pty Ltd)  
Genesis - Genesis Proprietary Trading Pty Ltd  
JB Markets - JB Markets Pty Ltd  
High Alpha Fund - JB High Alpha Fund  
JRR- JR Restaurants Australia Pty Ltd  
JBFX - JBFX Wholesale Pty Ltd

*Subsidiaries*

Interests in subsidiaries are set out in note 42.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 36.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 39. Related party transactions (continued)**

*Transactions with related parties*

During the year ending 30 June 2018, the following related party transactions occurred:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Sale of goods and services:		
Brokerage fees charged to HML	1,292,382	584,816
Brokerage fees charged to BHD	2,060,578	-
Genesis profit sharing arrangement with JBL	801,856	-
Payment for other expenses:		
Interest incurred on loan from HML	21,884	-
Payment for services incurred by JBL on behalf of JBM	107,793	-
Genesis profit sharing arrangement with HML	101,588	-
Foreign currency banknote usage fee paid to BHD	527,207	-
Foreign currency banknote usage fee paid to HML	91,304	-
Genesis profit sharing arrangement with BHD	70,919	-
Interest incurred on loans with JBL	166,805	-
Interest incurred on loans with BRL	6,486	-

*Key management personnel*

Disclosures relating to key management personnel are set out in note 39.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Current receivables:		
Receivables from JBL	415,170	1,781,166
Receivables from BRL	26,132	7,445,721
Receivables from HML	-	573,798
Receivables from CC	-	1,957,945
Receivables from other related parties	-	27,076
Current payables:		
Payables to JBL	1,003,826	22,055
Payables to BRL	4,305	7,329
Foreign currency banknotes held on behalf of HML	645,604	-
Payable to HML	4,717	-
Payable to BHD	44,902	-
Foreign currency banknotes held on behalf of BHD	7,567,612	-
Genesis payable to BHD	70,919	-

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 39. Related party transactions (continued)**

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Loan to JRR	1,265,990	-
Accumulated impairment on loan to JRR	(1,265,990)	-
Current borrowings:		
Loan from HML	471,884	-
Loans from other related parties	38,095	39,999
Loan from JBL	1,772,893	4,422,056
Loan from BRL	66,122	767,328
Convertible loan with BHD	2,305,278	-
Non-current borrowings:		
Loan from other related party	110,702	-

*Loans to/from related parties*

On 4 December 2017, the Company entered into a loan agreement with JRR for \$1,200,000. A maturity date of one year from the advance date applied, together with a 9.65% p.a. interest rate. Loan interest of \$65,990 was accrued during the period. Both the loan and interest have been fully impaired at the balance sheet date as the Company does not believe this loan is recoverable.

On 25 September 2018 the Company entered into a loan agreement with John Bridgeman Limited to extend a debt facility of \$4.5 million for a term of 2 years at 5.0% pa interest.

*Changes in investments in consolidated entities*

On 3 July 2017 Risk and Security Management Pty Ltd (a wholly owned subsidiary of the Company) acquired 100% of the issued shares in Australian Legal Support Group Pty Ltd ('ALSG') for consideration of \$3,963,679. ALSG provides mercantile services and complements existing Group operations in that segment.

On 12 September 2017 the Company acquired 100% of the issued shares in Genesis Proprietary Trading Pty Ltd ('Genesis') for consideration of \$11,247,286 which included Company shares valued at \$5,499,997. Genesis is one of Australia's largest proprietary trading companies.

On the 2 November 2017, 13,838 ordinary shares in JB Markets Pty Ltd (JBM) were issued to the Company at a price of \$112.12 per share as full settlement of the loan held with JBM comprising the principal amount of \$1,500,000 and accrued interest of \$51,521.

On 17 November 2017 the Company acquired 100% of Growth Point Capital Pty Ltd ('GPC') (formerly Schuh Group Pty Ltd) for consideration of \$999,999. GPC is a consumer credit and mortgage broking business specialising in loan and refinancing services.

Other entities incorporated during the year and included in the consolidated financial statements were:

Great Rate Finance Pty Ltd  
Risk & Security Management (NZ) Limited  
JB Trading House Pty Ltd



**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 40. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Loss after income tax	(20,522,899)	-
Total comprehensive income	(20,522,899)	-

*Statement of financial position*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Total current assets	8,236,876	-
Total assets	64,579,834	-
Total current liabilities	6,387,238	-
Total liabilities	6,518,837	-
Equity		
Issued capital	78,845,186	-
Accumulated losses	(20,784,189)	-
Total equity	58,060,997	-

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

**Note 41. Business combinations**

During the financial year the Group added a number of subsidiary companies through acquisitions. The provisional fair value of the identifiable net assets and resulting goodwill is represented as follows:

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 41. Business combinations (continued)**

	<b>Genesis Proprietary Trading Pty Ltd Fair value \$</b>	<b>Australian Legal Support Group Pty Ltd Fair value \$</b>	<b>Growth Point Capital Pty Ltd (formerly Schuh Group Finance Pty Ltd) Fair value \$</b>	<b>Capital Credit Pty Ltd (formerly Growth Point Capital Pty Ltd) Fair value \$</b>	<b>Total Fair value \$</b>
Cash and cash equivalents	10,543,018	593,565	61,748	-	11,198,331
Trade and other receivables	1,324,416	1,117,137	642,225	2,800,100	5,883,878
Term deposit	150,125	-	-	-	150,125
Intangibles	131,339	161,219	-	-	292,558
Balance with brokers	902,854	-	-	-	902,854
Security deposit	-	15,087	-	-	15,087
Property, plant and equipment	142,178	64,216	55,598	-	261,992
Deferred tax asset	1,968,082	-	-	9,945	1,978,027
Trade and other payables	(12,402,941)	(586,812)	(125,192)	(157,564)	(13,272,509)
Provision for income tax	(550,294)	-	21,375	-	(528,919)
Employee benefits	(81,971)	(96,267)	-	-	(178,238)
Lease make good provision	-	(23,631)	-	-	(23,631)
Loans	-	-	(106,004)	(2,853,959)	(2,959,963)
Lease liability	(24,865)	-	(35,433)	-	(60,298)
Prepayments	52,733	11,119	30,201	-	94,053
Deferred tax liability	(699,122)	(103,665)	-	-	(802,787)
Net assets/(liabilities) acquired	1,455,552	1,151,968	544,518	(201,478)	2,950,560
Goodwill	9,791,734	2,811,712	455,481	201,636	13,260,563
Acquisition-date fair value of the total consideration transferred	<u>11,247,286</u>	<u>3,963,680</u>	<u>999,999</u>	<u>158</u>	<u>16,211,123</u>
Representing:					
Cash paid	3,675,631	3,836,753	-	-	7,512,384
Shares issued to vendor	5,499,997	-	-	158	5,500,155
Deferred consideration, settled	-	126,927	-	-	126,927
Debt assumption / Debt conversion	<u>2,071,658</u>	<u>-</u>	<u>999,999</u>	<u>-</u>	<u>3,071,657</u>
	<u>11,247,286</u>	<u>3,963,680</u>	<u>999,999</u>	<u>158</u>	<u>16,211,123</u>

**Genesis Proprietary Trading Pty Ltd**

On 12 September 2017 the Company acquired 100% of the ordinary shares of Genesis Proprietary Trading Pty Ltd (Genesis) for total consideration of \$11,247,286. Of the total consideration \$3,675,631 was settled in cash, \$5,499,997 was settled by the issue of 895,766 shares in the Company valued at \$6.14 (based on an internal valuation) and \$2,071,658 was settled by assuming a debt due to the previous Genesis shareholders, which has been settled since acquisition.

Genesis is a proprietary trading business. The directors believe the company represents a well established, profitable business that will complement the Group's other broker trading businesses.

The goodwill is attributable to the skills and technical talent of the workforce, the established reputation of Genesis and reduced costs which are expected as a result of economies of scale. The acquired business contributed revenues of \$18,784,631 and a loss after tax of \$675,574 to the Group for the period from 12 September 2017 to 30 June 2018.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 41. Business combinations (continued)**

**Australian Legal Support Group Pty Ltd**

On 3 July 2017, RSM, a wholly owned subsidiary of the Company, acquired 100% of the ordinary shares of Australian Legal Support Group Pty Ltd ('ALSG') for total consideration of \$3,963,680. Of the total consideration, \$3,836,753 was settled in cash with the remainder being deferred consideration which was settled subsequently.

ALSG provides mercantile services, predominantly repossession. The directors believe the company represents a profitable business with an opportunity for future growth that will contribute towards cost synergies across the mercantile group.

The acquired business contributed revenues of \$998,109 and profit after tax of \$76,379 to the Group for the period from 3 July 2017 to 30 June 2018. The contributed revenue and profit after tax if owned since for the whole period would be the same.

**Growth Point Capital Pty Ltd (formerly Schuh Group Finance Pty Ltd)**

On 16 November 2017 the Company acquired 100% of the ordinary shares of Growth Point Capital Pty Ltd (GPC) (formerly Schuh Group Finance Pty Ltd) for the total consideration transferred of \$999,999.

GPC is a consumer credit and mortgage broking business specialising in loan and refinancing services. The company adds to the diversification of the Group's revenue streams and provides an opportunity for future growth in this area.

The goodwill is attributable to the established client base and the reputation of GPC. The acquired business contributed revenues of \$820,271 and a loss after tax of \$499,779 to the Group for the period from 17 November 2017 to 30 June 2018.

**Capital Credit Pty Ltd (formerly Growth Point Capital Pty Ltd)**

On 17 November 2017 the Company acquired 100% of the ordinary shares of Capital Credit Pty Ltd (Capital Credit) (formerly Growth Point Capital Pty Ltd) for the total consideration transferred of \$158.

Capital Credit holds a book of distressed loans purchased at large discounts to counts to book value. The company adds to the diversification of the Group's revenue streams and provides an opportunity for future growth in this area.

The goodwill is attributable to the established client base of Capital Credit. The acquired business contributed revenues of \$90,679 and a loss after tax of \$1,953,915 to the Group for the period from 17 November 2017 to 30 June 2018.

*Settlement of pre-existing relationship*

GPC was issued 181,488 shares in the Company on 26 April 2017 for \$999,998 in a share placement resulting in a payable due to the Company for that amount. The Company and GPC subsequently agreed that GPC transfer 181,488 the Company shares and assign its obligation to pay the Company the outstanding subscription monies to Growth Point Ventures Pty Ltd (GPV), the sole shareholder of GPC in satisfaction of this payable.

*Measurement of fair values*

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 41. Business combinations (continued)**

The following valuation technique was used for property, plant and equipment and intangibles acquired

Market comparison technique and cost technique considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Intangibles included only software at acquisition.

At acquisition date, trade receivables comprise gross contractual amounts due of \$3,083,778 of which none was expected to be uncollectible at the date of acquisition. No amount of goodwill is expected to be deductible for tax purposes.

*Accounting policy for business combinations*

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 42. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Risk & Security Management Limited (RSM)	Australia	100.00%	100.00%
IDS Group Pty Ltd	Australia	100.00%	100.00%
Trademark Investigation Services business	Australia	100.00%	100.00%
Trademark Investigation Services (NZ) Ltd	New Zealand	100.00%	100.00%
Yates PI Pty Ltd	Australia	100.00%	100.00%
Ashdale Integrity Solutions	Australia	100.00%	100.00%
JB Markets Pty Ltd	Australia	100.00%	100.00%
HPH Holdings Pty Limited	Australia	100.00%	100.00%
JB Alpha Ltd	Australia	100.00%	100.00%
Kings Currency Exchange Pty Ltd	Australia	100.00%	100.00%
Harnewei Pty Ltd	Australia	100.00%	100.00%
JB Fintech Services Pty Ltd	Australia	100.00%	100.00%
JB International Payments Pty Ltd	Australia	100.00%	100.00%
JB Trading Services Pty Ltd	Australia	100.00%	100.00%
Piggybk Holdings Pty Ltd	Australia	67.50%	67.50%
Funz Holdings Pty Ltd	Australia	75.00%	75.00%
JBFX Wholesale Pty Ltd	Australia	100.00%	100.00%
JBFX Retail Pty Ltd	Australia	100.00%	100.00%
Growth Point Capital Pty Ltd	Australia	100.00%	100.00%
Australian Legal Support Group Pty Ltd	Australia	100.00%	-
Genesis Proprietary Trading Pty Ltd	Australia	100.00%	-
Advance Group Holdings Pty Ltd	Australia	100.00%	-
Great Rate Finance Pty Ltd	Australia	100.00%	-
Capital Credit Pty Ltd	Australia	100.00%	-
Risk & Security Management (NZ) Limited	Australia	100.00%	-
JB Trading House Pty Ltd	Australia	100.00%	-

At 30 June 2018 Non Controlling Interest held an immaterial stake of \$350 (2017: \$350) in the Group's subsidiaries.

**Note 43. Events after the reporting period**

**Transfer of intellectual property**

In an agreement dated 22 August 2018 the Company agreed to transfer all intellectual property associated with the software and technology developed by its FinTech division to an external entity in consideration for a minority interest. The Group recognised an impairment expense of \$642,186 at 30 June 2018 for the total amount of its software development asset.

**Loan to related party**

On 25 September 2018 the Company entered into a loan agreement with John Bridgeman Limited to extend a debt facility of \$4.5 million for a term of 2 years at a 5.0% pa interest.

**Extension of convertible note maturity**

On 11 September 2018, the convertible note included in Borrowings in the Statement of Financial Position at amortised cost of \$2,305,278 (refer note 24), which had a maturity date of 11 September 2018 and an interest rate of 9.65% pa, was extended by 18 months and included an option to convert into JB Trading House shares.

**Extension of HML loan agreement with Capital Credit Pty Ltd**

On 10 July 2018, the loan agreement between Capital Credit (formerly known as Growth Point Capital Pty Ltd) and HML was extended until 7 January 2020. Subsequent to the year end, all of the accrued interest and 5% of the loan capital has been repaid.

**JB Financial Group Pty Ltd**  
**Notes to the financial statements**  
**30 June 2018**

**Note 43. Events after the reporting period (continued)**

Extension of JBL loan agreement with Capital Credit Pty Ltd

On 10 July 2017, Capital Credit Pty Ltd (formerly known as Growth Point Capital Pty Ltd), a controlled entity entered into a loan agreement with JBL. A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate.

On 15 October 2018 the loan was extended until 10 July 2020.

Sale of vault facility

The JBFX vault storage facility and associated physical assets were sold for \$850,000 plus GST on 31 August 2018. A gain of \$695,929 was realised on sale.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 44. Reconciliation of loss after income tax to net cash from/(used in) operating activities**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Loss after income tax benefit for the year	(19,250,581)	(206,991)
Adjustments for:		
Depreciation and amortisation	991,354	70,443
Net loss on disposal of property, plant and equipment	12,494	-
Unrealised losses on investments	(10,987)	1,352
Write off of trade and other receivables	(46,596)	-
Impairment of assets	16,768,345	-
Income tax expense	(1,999,367)	-
Preferential rent	137,805	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,135,640)	(1,068,224)
Increase in balances held with brokers	(3,414,108)	-
Increase in deferred tax assets	-	(601,468)
Increase in prepayments	(96,935)	(337,328)
Increase in trade and other payables	9,878,696	911,751
Decrease in provision for income tax	-	(327,934)
Increase in provisions	(1,674,829)	132,153
Net cash from/(used in) operating activities	<u>159,651</u>	<u>(1,426,246)</u>

**JB Financial Group Pty Ltd**  
**Directors' declaration**  
**30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Peter Aardoom', written over a horizontal line.

Peter Aardoom, Director

31 October 2018



# Independent Auditor's Report

To the shareholders of JB Financial Group Pty Ltd

## Opinion

We have audited the **Financial Report** of JB Financial Group Pty Ltd (the Company).

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Consolidated statement of financial position as at 30 June 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

## Basis for opinion

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

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

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

## Material uncertainty related to going concern

We draw attention to Note 2, "Going Concern" in the Financial Report. The conditions disclosed in Note 2 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

## Other Information

Other Information is financial and non-financial information in JB Financial Group Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

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





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

### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

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

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

KPMG

Simon Crane  
*Partner*

Brisbane  
31 October 2018