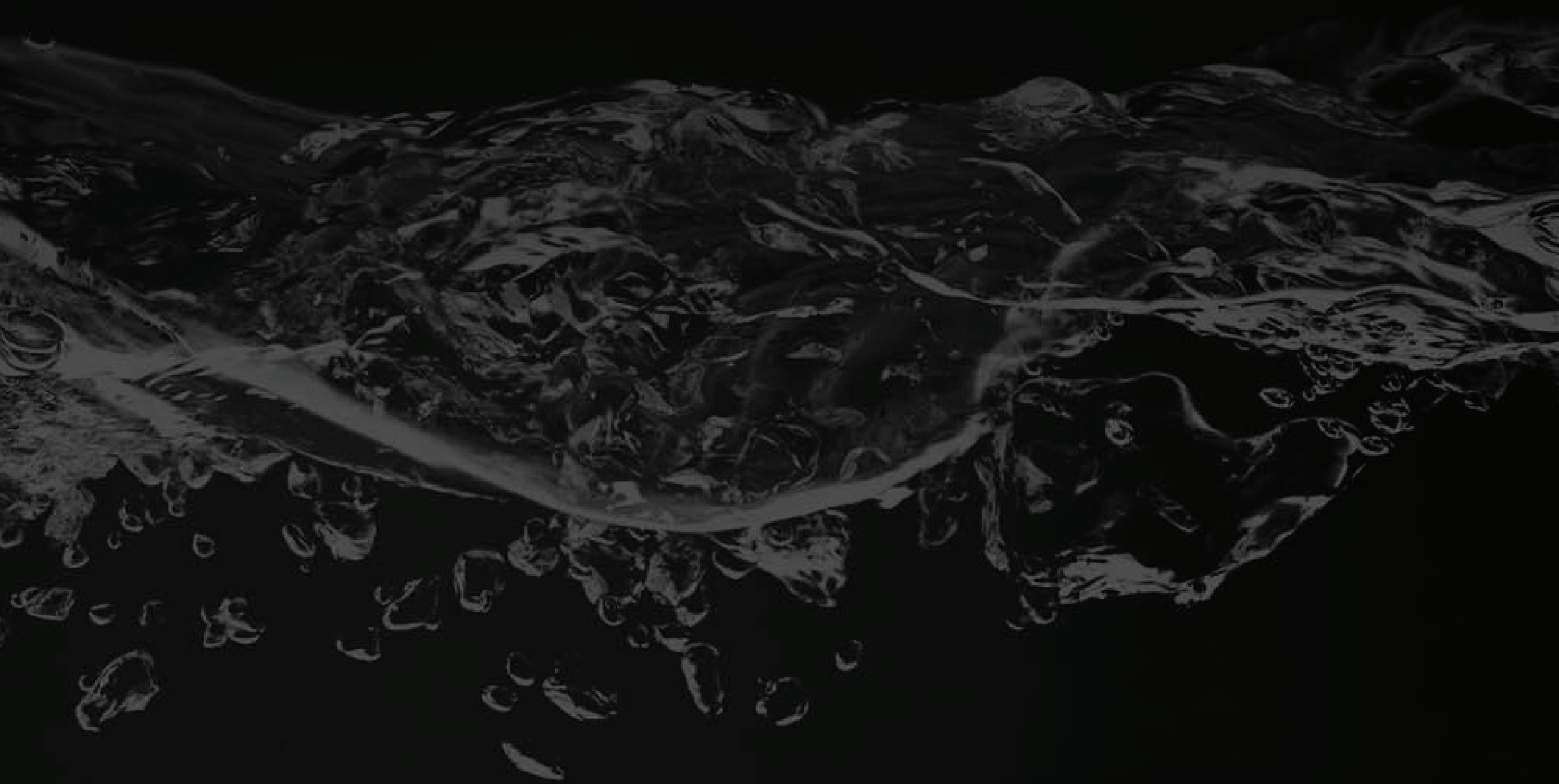
JOHN.BRIDGEMAN



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

JOHN BRIDGEMAN LIMITED

ACN 603 477 185

JOHN.BRIDGEMAN

Managing Director's letter

Dear Shareholders

As announced to the market, John Bridgeman has undertaken a number of capital raisings, increased its stake in JB Financial Group Pty Ltd, obtained in-principle agreement to acquire almost all of the remaining shares in JB Financial Group Pty Ltd, and launched takeover bids for each of Henry Morgan Limited and Benjamin Hornigold Ltd.

These actions have enabled the Company to strengthen a number of pillars in terms of income and growth, particularly through its investment in JB Financial Group, which have been complementary to its funds management arm.

The expansion of the Company's interests through investments in operating businesses provide strength, blended risk and diversity to the Company – this is achieved, for example, via JB Financial Group's interest in foreign exchange which is now vertically integrated and provides an additional steady income stream.

In addition, steps have been taken over the past six months to implement significant cost savings and to restructure certain business projects which were not performing as anticipated. These actions are expected to result in significantly improved cash flow and reduced capital requirements for both John Bridgeman and JB Financial Group going forward.

I believe the hard decisions made in restructuring business operations will create a strong foundation for future growth for the benefit of shareholders.

Stuart McAuliffe
Managing Director
John Bridgeman Limited

John Bridgeman Limited
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of John Bridgeman Limited (referred to hereafter as the 'Company' or 'parent entity') and its subsidiaries (for the purposes of the Accounting Standards only) for the year ended 30 June 2018 and the auditor's report thereon.

Directors

The following persons were directors of John Bridgeman Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stuart McAuliffe - Managing Director
John McAuliffe - Chairman
Rosario Patane - Non-Executive Director
Vincent Gordon - Non-Executive Director (appointed 3 October 2017, resigned 10 July 2018)
Simon Richardson - Non-Executive Director (appointed 3 October 2017, resigned 10 July 2018)
Particulars of each director's experience and qualifications are set out below:

Information on Directors

Name:	Stuart McAuliffe
Title:	Managing Director
Qualifications:	BA; MEd; Grad Dip Legal Studies
Experience and expertise:	Stuart has over 25 years' experience investing in global equity, bond, currency and commodity markets. Stuart was previously an Associate Professor in the Faculty of Society and Design at Bond University.
Other current directorships:	Stuart has been a director of Henry Morgan Limited since 26 September 2014 and a director of Benjamin Hornigold Ltd since 28 September 2016.
Former directorships (last 3 years):	Nil
Special responsibilities:	Managing Director
Interests in shares:	Stuart holds a relevant interest in 5,598,000 ordinary shares.
Interests in options:	Stuart holds a relevant interest in options to acquire a further 9,718,000 ordinary shares.

Name:	John McAuliffe AM
Title:	Chairman
Qualifications:	AM; LAPI; FAIB; ACTCB
	Life Fellow of the Australian Institute of Valuers; Fellow of the Australian Institute of Building – Chartered Builder; Associate Papua New Guinea Institute of Valuers and Land Administrators; Registered Valuer, Queensland; Registered Valuer, Papua New Guinea; Associate Central Technical College Brisbane – Diploma in Building and Diploma in Quantity Surveying; and Member Real Estate Institute of Queensland.
Experience and expertise:	John has had a long and distinguished career in both government and private sector roles. He has also lectured extensively at both QUT and UQ in the areas of property valuation and surveying. John was awarded the Order of Australia in June 2007 for services to the community particularly through executive roles in the areas of health care, public housing management and to the property valuation industry. John was appointed Chairman in March 2015 and has been a Board member since that time.
Other current directorships:	John has been a director of Henry Morgan Limited since 21 October 2015.
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman
Interests in shares:	John holds a relevant interest in 896,000 ordinary shares.
Interests in options:	John holds or has interests in entities that hold options to acquire a further 1,936,000 ordinary shares.

Name:	Rosario (Ross) Patane
Title:	Non-Executive Director
Qualifications:	BBus, CA, MAICD; FFin
Experience and expertise:	Ross is a chartered accountant with in excess of 25 years' experience in providing high level accounting related services. Ross is presently the Senior Partner of the Crowe Horwath Corporate Finance team. Crowe Horwath is a leading accounting and financial services business. Ross has been a board member since March 2015.
Other current directorships:	Ross has been a director of Henry Morgan Limited since 31 March 2016.
Former directorships (last 3 years):	Nil
Interests in shares:	Ross has a relevant interest in 87,500 ordinary shares.
Interests in options:	Ross has a relevant interest in options to acquire a further 952,500 ordinary shares

Name:	Vincent Gordon
Title:	Non-Executive Director (appointed 3 October 2017, resigned 10 July 2018)
Qualifications:	BA,LLB,MBA
Experience and expertise:	Vince has over 20 years' experience in his field. He is the Managing Partner of Reed Smith LLP's Middle East offices. Reed Smith LLP is one of the world's leading global law firms. He has substantial experience in all types of capital markets work, including banking and finance, debt capital markets, structuring and joint ventures, corporate finance and acquisitions, funds, trade finance, regulatory and project finance work.
Other current directorships:	Nil
Former directorships (last 3 years):	Vince was a director of Benjamin Hornigold Ltd from 14 March 2017 until 27 July 2018.
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil

Name:	Simon Richardson
Title:	Non-Executive Director (appointed 3 October 2017, resigned 10 July 2018)
Qualifications:	BEcon; BComm.
Experience and expertise:	Simon has had over 20 years of diverse national and international business experience. Simon commenced his career at KPMG spending time in Australia and the United Kingdom. In 2006, Simon was a founding partner in one of the leading proprietary futures trading businesses in Australia.
Other current directorships:	Nil
Former directorships (last 3 years):	Simon was a Director of Benjamin Hornigold Ltd from 14 February 2017 to 31 July 2018.
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	NIL

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretaries

The Company has two secretaries, Jody Wright and Kevin Mischewski.

Jody Wright LLB
Jody Wright was admitted to practice as a Solicitor of the Supreme Court of Queensland in January 2001 and is a member of the Queensland Law Society. Jody has an extensive background in corporate governance, compliance, risk management, board advisory and commercial litigation. She has significant experience as in-house counsel and compliance manager across different industry spheres including financial services, insurance and investigative services.

Kevin Mischewski BBus(Acc), CA, AGIA, ACIS
Kevin was appointed Company Secretary on 10 August 2017, and is a Chartered Accountant and member of the Governance Institute of Australia. He has held Company Secretary and Chief Financial Officer roles for ASX-listed and unlisted public companies. Kevin brings a wealth of experience as a finance and company administration executive. Kevin previously held the role as Company Secretary and Chief Financial Officer for ASX-listed Australian Pacific Coal Ltd.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
John McAuliffe	20	21	1	1
Stuart McAuliffe	17	21	2	2
Ross Patane	19	21	2	2
Vincent Gordon	13	14	-	-
Simon Richardson	12	14	-	1

Held: represents the number of meetings held during the time the director held office.

Principal activities
The principal activities of the Company during the year consisted of providing investment management services to Henry Morgan Limited, Bartholomew Roberts Pty Ltd, and Benjamin Hornigold Ltd, as well as investing either directly or indirectly in listed and unlisted companies. Unlisted companies in which the Company has had a direct or indirect investment are based in various sectors, primarily:
- financial services including broking and currency exchange;
- physical audits and mercantile agency services, as well as investigations, brand protection, surveillance, background screening and security sweeps across Australia and New Zealand;
- emerging 'disruptive' technology applications in the financial services sector; and
- international casual dining franchises, which are the master franchisee in Australia and New Zealand for the Johnny Rockets and Wingstop brands of restaurants.

Our business model and objectives
The Company aims to deliver shareholder returns and capital growth by providing cost efficient, high quality investment management services, exposure to global investment markets and diverse and defensible private equity investments with corresponding inelastic income streams which allows Board, key management and shareholders' interests to be aligned.

Review of operations
Operating results

	2018 **$**	**2017** **$**	**Change** **$**	**Change** **%**
(Loss)/ profit before tax	(21,688,173)	6,355,491	(28,043,664)	(441%)
Net (loss)/ profit after tax	(16,672,668)	4,424,050	(21,096,718)	(477%)
Net investment (losses/ gains)	(2,916,443)	3,207,603	(6,124,046)	(191%)
Management and performance fee revenue	2,615,574	7,894,922	(5,279,348)	(67%)
Operating revenue	51,387,977	9,165,979	42,221,998	461%
Income tax benefit/ (expense)	5,015,505	(1,931,441)	6,946,946	(360%)
Earnings per share - basic (cents, rounded to nearest cent)	(43)	22	(65)	(295%)
Earnings per share - diluted (cents, rounded to nearest cent)	(43)	16	(59)	(369%)

For the year ended 30 June 2018, the loss for the Group after tax amounted to $16,672,668. This compared to the profit after tax for the year ended 30 June 2017 of $4,424,050.

Going Concern

For the year ended 30 June 2018, the loss for the Group after tax amounted to $16,672,668. At the end of the financial year current liabilities exceeded current assets by $2,601,517. 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:

- 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 46 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 anticipated capital raisings 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

Between 11 September and 31 October 2017, JB Financial Group Pty Ltd ('JBFG') issued 158,227 shares to the Company in four tranches at $7.90 per share. On 8 November 2017, the Company acquired 30,000 shares in JBFG from a third party. On 28 June 2018 JBFG issued 690,104 shares to the Company at $5.94 per share. These transactions increased the Company's direct investment in JBFG to 1,150,563 shares (4.27%) (2017: 272,232 shares (1.75%), taking the Company's investment in JBFG, at cost, to $7,031,582 (2017: $1,499,998).

On 26 October 2017 the Company purchased 17,346 shares in Bartholomew Roberts Pty Ltd ('BRL') for $199,999 and on 26 February 2018 the Company swapped a receivable from BRL for 764,885 shares in BRL valued at $7,266,410. Those transactions increased the Company's shareholding in BRL to 2,570,827 shares (53.6%) from 1,788,596 shares (44.5%) held at 30 June 2017, taking the Company's investment in BRL, at cost, to $14,193,818 (2017: $6,727,409)

Capital raising:

During the year the Company raised $5,350,875 after costs by the issue of 2,778,528 fully paid ordinary shares pursuant to the conversion of convertible notes, exercise of listed options and a share placement. Subsequent to year end, on 3 August 2018, 1,935,158 of those shares were bought back in an on-market buy-back at the original issue price, reducing paid up capital by $3,967,074. On 20 September a further 464,083 shares were bought back on market reducing share capital by $724,825.

Acquisition of additional entities included in the Group financial statements

On 3 July 2017 Risk and Security Management Pty Ltd (a wholly owned subsidiary of JBFG) 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 JBFG acquired 100% of the issued shares in Genesis Proprietary Trading Pty Ltd ('Genesis') for consideration of $11,247,286 which included JBFG shares valued at $5,499,997. Genesis is one of Australia's largest proprietary trading companies.

On 16 November 2017 JBFG 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.

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 Macro Funds Management Limited

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 2,778,528 ordinary shares during the year raising $5,350,875 after costs and increasing the number of shares on issue by 12%; from 23,988,417 to 26,766,945. However, after the end of the year, on 3 August 2018, 1,935,158 of the shares which had been issued during the year were bought back and cancelled as part of an on market buy back. A further 464,083 shares were bought back and cancelled on 20 September 2018 (refer to Events subsequent to the end of the financial year for further details).

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

Matters subsequent to the end of the financial year
Resignation of directors
On 10 July 2018, directors Vince Gordon and Simon Richardson resigned.

Loans received
On 30 July 2018, the Company received a loan facility of $2,500,000 from Stuart McAuliffe for a term of 2 months at 7.25% pa interest. An additional $1,500,000 is able to be drawn under this facility. On 6 September 2018, the interest rate was reduced to 5.5% pa and the term of the loan facility was extended by 18 months.
On 8 August 2018 the Company received a loan of $2,411,000 from Henry Morgan Limited, for a term of one year at 11.5% pa interest. On 16th October 2018 the term of the loan facility was extended by 6 months.
On 8 August 2018 the Company received a loan of $1,134,000 from Benjamin Hornigold Ltd, for a term of one year at 11.5% pa interest. On 16th October 2018 the term of the loan facility was extended by 6 months.

Buy-back of shares
On 3 August 2018, 1,935,158 shares were bought back by the Company at $2.05 for every one share with one option in a buy-back transaction. The shares and options were cancelled. The buy-back on 3 August had the effect of cancelling the allotment of those shares and options which were issued at that same price on 23 November 2017. 464,083 more shares were bought back on market at various prices on 20 September 2018 and cancelled. After the buy-backs the Company has 24,367,704 ordinary shares on issue and 24,186,520 options over ordinary shares.

Receivables settled by transfer of shares
Subsequent to the year end, receivables totalling $4,490,000 (Note 17) were settled via the transfer of 814,882 JBFG shares to the Company at an agreed value of $5.51 per share. The reported value of JBFG shares at 30 June 2018 was $4.65 per share. There was a provision for impairment recognised to to reflect the adjustment in fair value of the share.

Transfer of intellectual property
In an agreement dated 22 August 2018 JBFG 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.

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 27), 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.

Payable converted to non-current loan
On 17 September 2018, agreement was reached for an amount of $4,500,000, which is included within trade payables in the Statement of Financial Position as a payable to BHD (refer Note 26), to be repaid under a repayment arrangement over a term of 18 months maturing on 18 March 2020 at an interest rate of 11.5% pa.

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 on sale of $695,929 was realised on sale.

Takeover bid for shares in HML and BHD
On 10 September 2018, the Company announced its intention to make an off-market takeover offer to acquire all of the issued shares in Henry Morgan Limited ('HML') that it currently does not own; and all of the issued shares and options in Benjamin Hornigold Limited ('BHD') that it does not own. The offers are not interdependent.

The proposed offer for HML is for accepting shareholders in HML to receive 0.95 JBL shares for each HML share.
The proposed offer for BHD is for accepting shareholders in BHD to receive 0.65 JBL shares for each BHD share and 0.5 JBL options for each BHD option.
The offer is subject to an acceptance condition of 50.1%.

Further information is available in the announcements made by the Company to the NSX which can be accessed at: https://www.nsx.com.au/marketdata/company-directory/announcements/JBL/

Proposed acquisition of shares and convertible note arrangement
Pursuant to transaction documentation with HML, JBFG offered HML an option to require JBFG to buy back or nominate a third party to acquire HML's direct and indirect shareholdings in JBFG in consideration for:

- $67.16 million in cash payable after two years as the option is exercised in tranches, secured against JBFG's retail foreign exchange companies;
- HML entering into an exclusive trading arrangement with JB Trading House subsidiaries for a period of five years;
- JB Trading House issuing a convertible note to HML for no cash consideration with a face value of $12 million and a coupon of 4.1%pa, secured over JB Trading House.

JBFG's offer was subject to certain conditions being satisfied by 30 September 2018, including the requirement to obtain an independent expert's report (IER) and HML shareholder approval. The IER was obtained with the expert concluding that the proposed transaction was both fair and reasonable to non-associated shareholders of HML. The meeting material has been lodged with ASX.

Proposed exclusive trading and convertible note arrangement
On 30 June 2018, JB Trading House entered into transaction documentation with BHD pursuant to which:
- BHD committed to an exclusive trading arrangement with JB Trading House subsidiaries for a period of five years;
- JB Trading House would issue a convertible note to BHD for no cash consideration with a face value of $13.5 million and a coupon of 4.1%pa, secured over JB Trading House.
ASX subsequently required BHD to obtain shareholder approval for the transaction. An IER was obtained with the expert concluding that the proposed transaction was both fair and reasonable to non-associated shareholders of BHD. The meeting material has been lodged with ASX.

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

Likely developments and expected results of operations
Information on likely developments in the operations of the Group 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 Group.

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

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. During the year the KMP for the Group comprised the directors of the Company, the Chief Financial Officer, and Head of International Operations, as set out below.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The Remuneration Report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

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

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

- The remuneration arrangements are developed and approved by the Board.
- All executive KMP receive a base salary (which is based on factors such as relevant industry experience), superannuation, fringe benefits and, in prior periods, the Directors were granted options over shares.
- All non-executive directors receive fixed directors' fees and were granted options in the year ended 30 June 2016.
- Incentives paid in the form of options are intended to align the interests of the KMP and Group with those of the shareholders.
- The Board reviews KMP packages periodically by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of executive KMP is measured against criteria agreed with each executive. While the Company does not currently have any bonus or performance incentive programmes in place, these may be developed in the future. Any change must be justified by reference to measurable performance criteria.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of directors fees that can be paid to non-executive directors for their services as directors is currently $450,000. Any change is subject to approval by shareholders in a general meeting.

Options granted in the Company do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share. The fair value of options is measured using the Monte Carlo simulation methodology.

Options granted in BRL, a controlled entity, do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share on or before 22 April 2021. The fair value of options is measured using the Monte Carlo simulation methodology.

Under the Company's Securities Trading Policy, directors and KMP are prohibited from using shares in the Company as collateral in any financial transaction, including margin loan arrangements.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed periodically by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Relationship between remuneration framework and Group performance

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

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

	2018 $	2017 $	2016 $	2015 $
Net profit/(loss) after tax	(16,672,668)	4,424,050	(930,922)	(212,595)
Dividends paid	Nil	Nil	Nil	Nil
Change in share price	N/A	0.7	0.3	N/A
Return on average capital employed	(33.88%)	14.95%	(12.24%)	N/A

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of John Bridgeman Limited and the following persons:
- Ben McLaren, Chief Financial Officer until 1 December 2017
- Sam Elderfield, KMP from appointment as Chief Financial Officer on 12 April 2018, formerly director of Capital and M&A
- Rachel Weeks, Head of International Operations, formerly Chief Operating Officer

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	At risk incentive $	Total $
Non-Executive Directors:								
John McAuliffe	36,667	-	-	-	-	-	-	36,667
Ross Patane	44,000	-	-	-	-	-	-	44,000
Vince Gordon	29,096	-	-	-	-	-	-	29,096
Simon Richardson	29,096	-	-	-	-	-	-	29,096
Executive Directors:								
Stuart McAuliffe	332,082	-	154,702	-	-	-	-	486,784
Other Key Management Personnel:								
Ben McLaren	156,714	-	-	14,888	-	-	-	171,602
Sam Elderfield	92,055	-	22,060	6,247	-	-	-	120,362
Rachel Weeks	265,000	-	43,607	25,175	-	-	-	333,782
	984,710	-	220,369	46,310	-	-	-	1,251,389

2017	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Other $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
John McAuliffe	43,800	-	-	-	-	-	43,800
Ross Patane	43,800	-	-	-	-	-	43,800
Executive Directors:							
Stuart McAuliffe	373,200	-	21,355	-	23,140	-	417,695
Other Key Management Personnel:							
Ben McLaren	58,333	-	-	5,542	4,487	-	68,362
Rachel Weeks	169,104	-	10,447	16,065	13,008	-	208,624
	688,237	-	31,802	21,607	40,635	-	782,281

Service agreements
Remuneration and other terms of employment for executive key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Stuart McAuliffe
Title:	Managing Director
Agreement commenced:	8 January 2015
Term of agreement:	Ongoing
Details:	Notice period two months, or nil for serious misconduct. Accrued leave payable on termination. Contract to be reviewed annually.

Name:	Ben McLaren
Title:	Chief Financial Officer until 1 December 2017
Agreement commenced:	29 April 2017
Term of agreement:	Resigned 1 December 2017
Details:	Notice period of one month. Accrued leave payable on termination.

Name:	Sam Elderfield
Title:	Chief Financial Officer from 12 April 2018 (formerly director of capital and M&A)
Term of agreement:	Ongoing
Details:	Notice period of one month by employee, three months by the Company. Accrued leave payable on termination and six months' salary payable if the employee is made redundant. Contract to be reviewed bi-annually.

Name:	Rachel Weeks
Title:	Head of International Operations (formerly Chief Operating Officer)
Term of agreement:	Ongoing
Details:	Notice period of one month. Accrued leave payable on termination. No set review period.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018 (2017: Nil).

Options
There were no options over ordinary shares in the Company issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2018 (2017: Nil).

There were 1,000,000 options in BRL which were issued to the Stuart McAuliffe in the year ended 30 June 2016 which were outstanding at 30 June 2018.

Additional disclosures relating to key management personnel

Shareholding

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Stuart McAuliffe (a)	5,590,000	-	-	-	5,590,000
John McAuliffe	896,000	-	-	-	896,000
Ross Patane	-	-	87,500	-	87,500
Sam Elderfield (b)	-	-	373,086	-	373,086
Rachel Weeks	60,000	-	-	-	60,000
Vince Gordon	-	-	-	-	-
Simon Richardson	-	-	-	-	-
	6,546,000	**-**	**460,586**	**-**	**7,006,586**

(a) Balance at the beginning of the financial year has increased by 40,000 on notification of additional shares held by a personally related party at the start of the year.

(b) Sam Elderfield was appointed CFO 12 April 2018.

	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other*	Balance at the end of the year
Options over ordinary shares					
Stuart McAuliffe (c)	8,670,000	-	-	-	8,670,000
John McAuliffe	1,936,000	-	-	-	1,936,000
Ross Patane	1,040,000	-	- 87,500	-	952,500
Sam Elderfield	-	-		330,000	330,000
Rachel Weeks	-	-	-	-	-
Vince Gordon	-	-	-	-	-
Simon Richardson	-	-	-	1,040,000	1,040,000
	11,646,000	**-**	**- 87,500**	**1,370,000**	**12,928,500**

* Includes, purchases, conversion of options, transacted by new KMPs prior to their appointment.

(c) Balance at beginning of the financial year has increased by 40,000 on notification of additional options held by a personal related party at the start of the year.

All options over ordinary shares of the Company held by key management personnel of the Group are vested and exercisable at the end of the year.

Other equity related transactions with key management personnel and their related parties
A related party of director Vince Gordon charged consulting fees of $60,594 at normal legal firm rates.

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

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Description	Expiry date	Exercise price	Number under option
JBLOA -listed options over ordinary shares	31 March 2020	$1.10	16,376,300
JBLOB - listed options over ordinary shares	31 March 2020	$1.20	1,452,500
JBLOC - listed options over ordinary shares	31 March 2020	$1.50	1,540,000
JBLOD - listed options over ordinary shares	31 March 2020	$2.20	2,240,000
JBLOE - listed options over ordinary shares	31 March 2020	$3.50	2,240,000
JBLOF - listed options over ordinary shares	23 November 2019	$2.05	337,720
			24,186,520

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

There are also unissued ordinary shares of the Company's subsidiary, BRL, under option at the date of this report. Those 1,000,000 options have an exercise price of $1 each, and an expiry date of 22 April 2021.

Shares issued on the exercise of options
The following ordinary shares of John Bridgeman Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date of exercise	Exercise price	Number of shares issued
10 August 2017 and 21 February 2018	$1.10	46,000
13 November 2017	$1.20	87,500
		133,500

There were also 372,150 ordinary shares issued on 16 October 2017 upon conversion of convertible notes at $1.58 per share.

Convertible Notes
The Company has 2,227,850 unsecured convertible notes on issue with a face value of $1.58. The notes were issued on 6 April 2017 and mature on 6 April 2022. Each note may be converted into one fully paid ordinary share prior to maturity.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Group, to the extent permitted by law, against certain liabilities and legal costs incurred by them as an for costs incurred in their capacity as a director or executive.

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.

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.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 40 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 40 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

____
Stuart McAuliffe, Managing Director
19 October 2018

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

To the Directors of John Bridgeman Limited

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

KPMG

Simon Crane
Partner

Brisbane
19 October 2018

CORPORATE GOVERNANCE SUMMARY

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

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

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

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

Summary of corporate governance practices

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

The Board of Directors

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

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

The Board assumes the following responsibilities:

(a) Appointment of the Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;

(b) Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;

(c) Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(d) Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;

(e) Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;

(f) Approving the annual and half-yearly accounts;

(g) Approving significant changes to the organisational structure;

(h) Approving the issue of any shares, options, equity instruments or other securities in the Company;

(i) Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;

(j) Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and

(k) Meeting with the external auditor, at their request, without management being present.

Composition of the Board

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

(a) The composition of the Board is to be reviewed periodically to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and

(b) The principal criterion for the appointment of new Directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. At least 50% of the Board is to be comprised of Non-Executive Directors and where appropriate, at least 50% of the Board should be independent. Directors of the Company are considered to be independent when they are a Non-Executive Director (i.e. not a member of management and have been for the preceding three years), hold less than 10% of the voting shares of the Company and are free of any business relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr S McAuliffe is not considered independent.

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

Stuart McAuliffe	3 years, 8 months	Executive Director
John McAuliffe	3 years, 6 Months	Non-Executive Chairman
Ross Patane	3 years, 6 months	Non-Executive Director

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

Remuneration arrangements

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

The total maximum remuneration of non-executive directors, which may only be varied by Shareholders in general meeting, is an aggregate amount of $450,000 per annum. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

Performance

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

Code of Conduct

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

John Bridgeman Limited
Contents
30 June 2018

General information

The financial statements cover John Bridgeman Limited as a consolidated entity consisting of John Bridgeman Limited and the entities treated as subsidiaries for purposes of the accounting standards at the end of, or during, the year. The financial statements are presented in Australian dollars, which is John Bridgeman Limited's functional and presentation currency.

John Bridgeman Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 9, 123 Eagle Street Brisbane, QLD, 4000 Australia	Level 9, 123 Eagle Street Brisbane, Queensland, 4000 Australia

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, in accordance with a resolution of directors, on 8 October 2018. The directors have the power to amend and reissue the financial statements.

John Bridgeman Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 $	2017 $
Revenue	5	54,003,551	17,043,922
Other income/(losses)	6	(2,737,440)	4,076,257
Expenses			
Operating expenses	7	(14,771,811)	(1,659,665)
Traders fees	8	(5,617,464)	-
Employee benefits expense	9	(25,641,201)	(6,858,054)
Professional services expenses	10	(11,360,275)	(3,203,995)
Other expenses	11	(7,149,391)	(2,951,757)
Impairment expense	12	(7,678,926)	-
Interest expense		(735,216)	(91,217)
Profit/(loss) before income tax (expense)/benefit		(21,688,173)	6,355,491
Income tax (expense)/benefit	13	5,015,505	(1,931,441)
Profit/(loss) after income tax (expense)/benefit for the year		(16,672,668)	4,424,050
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		451	(1,410)
Other comprehensive income for the year, net of tax		451	(1,410)
Total comprehensive income for the year		(16,672,217)	4,422,640
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(5,547,194)	400,850
Owners of John Bridgeman Limited	35	(11,125,474)	4,023,200
		(16,672,668)	4,424,050
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(5,490,361)	400,850
Owners of John Bridgeman Limited		(11,181,856)	4,021,790
		(16,672,217)	4,422,640
		Cents	**Cents**
Basic earnings per share	14	(43.30)	22.21
Diluted earnings per share	14	(43.30)	15.61

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

John Bridgeman Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	15	18,919,136	11,643,090
Inventory	16	45,511	48,039
Trade and other receivables	17	9,087,701	17,063,763
Balances held with brokers	18	3,414,108	-
Derivative financial assets		58,448	-
Term deposits		908,225	593,793
Purchased debt ledgers		157,288	700,212
Other current assets	19	1,322,069	395,692
Total current assets		33,912,486	30,444,589
Non-current assets			
Investments at fair value through profit and loss	20	3,581,897	6,670,679
Property, plant and equipment	21	5,658,627	4,302,449
Intangibles	22	42,880,855	32,985,886
Deferred tax	23	7,856,841	3,114,550
Purchased debt ledgers	24	434,662	2,099,788
Security deposits	25	764,004	91,113
Total non-current assets		61,176,886	49,264,465
Total assets		95,089,372	79,709,054
Liabilities			
Current liabilities			
Trade and other payables	26	31,944,007	8,378,468
Borrowings	27	3,030,158	2,228,943
Income tax	13	80,851	3,199,492
Provisions	28	1,458,988	792,138
Total current liabilities		36,514,004	14,599,041
Non-current liabilities			
Payables	29	303,691	1,212,283
Borrowings	30	5,285,954	5,813,467
Deferred tax	31	2,630,170	1,069,171
Provisions	32	683,257	542,342
Total non-current liabilities		8,903,072	8,637,263
Total liabilities		45,417,076	23,236,304
Net assets		49,672,296	56,472,750
Equity			
Issued capital	33	25,567,380	20,216,505
Reserves	34	(10,255,395)	(6,003,026)
Retained profits/(accumulated losses)	35	(8,246,354)	2,879,120
Equity attributable to the owners of John Bridgeman Limited		7,065,631	17,092,599
Non-controlling interest		42,606,665	39,380,151
Total equity		49,672,296	56,472,750

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

John Bridgeman Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $	Reserves $	Retained profits/ (losses) $	Non-controlling interest $	Total equity $
Balance at 1 July 2016	10,033,968	212,595	(1,144,080)	1,327,028	10,429,511
Profit after income tax expense for the year	-	-	4,023,200	400,850	4,424,050
Other comprehensive income for the year, net of tax	-	(1,410)	-	-	(1,410)
Total comprehensive income for the year	-	(1,410)	4,023,200	400,850	4,422,640
Purchase of NCI in subsidiaries	-	(6,475,395)	-	-	(6,475,395)
Acquisition of subsidiary with NCI	-	-	-	37,652,273	37,652,273
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 33)	10,182,537	-	-	-	10,182,537
Issue of convertible notes	-	261,184	-	-	261,184
Balance at 30 June 2017	20,216,505	(6,003,026)	2,879,120	39,380,151	56,472,750

Consolidated	Issued capital $	Reserves $	Retained profits/ (losses) $	Non-controlling interest $	Total equity $
Balance at 1 July 2017	20,216,505	(6,003,026)	2,879,120	39,380,151	56,472,750
Loss after income tax benefit for the year	-	-	(11,125,474)	(5,547,194)	(16,672,668)
Other comprehensive income for the year, net of tax	-	451	-	-	451
Total comprehensive income for the year	-	451	(11,125,474)	(5,547,194)	(16,672,217)
Share-holder interest reserve reclassified to NCI	-	(4,210,711)	-	4,210,711	-
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 33)	4,762,878	-	-	-	4,762,878
Exercise of options on convertible notes	587,997	(42,109)	-	-	545,888
Acquisition of NCI interests in a subsidiary	-	-	-	(237,000)	(237,000)
NCI recognised as part of share-based acquisition of Group entity	-	-	-	5,499,997	5,499,997
Acquisition of shares from NCI	-	-	-	(700,000)	(700,000)
Balance at 30 June 2018	25,567,380	(10,255,395)	(8,246,354)	42,606,665	49,672,296

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

John Bridgeman Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers		71,075,691	11,599,131
Payments to suppliers and employees		(63,195,227)	(8,222,293)
Proceeds from sale of investments		258,994	2,693,571
Payments for purchase of investments		(223,554)	(4,371,357)
Payments for purchased debt ledgers		-	(2,800,000)
Collection on purchased debt ledgers		83,704	-
Payment to broker on initial margins		(3,414,108)	-
		4,585,500	(1,100,948)
Dividends received		4,800	592,699
Interest received		205,496	12,584
Interest and other finance costs paid		(555,355)	(78,093)
Income taxes paid		(1,284,430)	(919,012)
Net cash from/(used in) operating activities	47	2,956,011	(1,492,770)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	44	3,559,020	(8,273,093)
Payments for property, plant and equipment	21	(2,196,909)	(1,496,482)
Payments for intangibles	22	(2,368,643)	(1,169,344)
Placement of term deposits		(314,431)	-
Proceeds from disposal of property, plant and equipment		115,332	-
Net cash used in investing activities		(1,205,631)	(10,938,919)
Cash flows from financing activities			
Proceeds from issue of shares		5,075,014	7,357,826
Proceeds from issue of convertible notes		2,200,000	3,848,950
Proceeds from borrowings		-	3,201,439
Issue of shares to non-controlling interest, net of returns of capital		-	9,871,398
Share issue transaction costs		(52,122)	(71,802)
Repayment of borrowings		(1,697,226)	-
Payment of pre-acquisition dividends		-	(2,001,213)
Net cash from financing activities		5,525,666	22,206,598
Net increase in cash and cash equivalents		7,276,046	9,774,909
Cash and cash equivalents at the beginning of the financial year		11,643,090	1,868,573
Effects of exchange rate changes on cash and cash equivalents		-	(392)
Cash and cash equivalents at the end of the financial year	15	18,919,136	11,643,090

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

Note 1. Reporting Entity

John Bridgeman Limited is a listed public company limited by shares, incorporated and 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 16 October 2018.

The annual financial statements of the Company as at and for the year ended 30 June 2018 are available at www.johnbridgeman.com.au

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 $16,672,668. At the end of the financial year current liabilities exceeded current assets by $2,601,517. 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:

- 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.

Note 2. Significant accounting policies (continued)

- 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 46 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 anticipated capital raisings 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 Group only. Supplementary information about the parent entity is disclosed in note 43.

Principles of consolidation
The consolidated financial statements incorporate the results of the John Bridgeman Limited (Company or parent entity) and all entities which are deemed subsidiaries (for the purposes of the Accounting Standards only) of the Company as at 30 June 2018. John Bridgeman Limited and its subsidiaries together are referred to in these financial statements as the Group.

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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is John Bridgeman Limited'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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

Finance costs
Finance costs are expensed in the period in which they are incurred.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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, consultancy, restaurant sales, brokerage and commission income and management and performance fees. The quantitative impact of the adoption of the new standard is not yet known, and cannot be reliably estimated.

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

Under 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.

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

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.

Note 2. Significant accounting policies (continued)

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

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

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

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.

Determination of entities for consolidation
The Company holds 100% of recently incorporated JB Macro Funds Management Limited and approximately 54% of Bartholomew Roberts Pty Ltd ('BRL'), which has common directors. The Company has an indirect interest in BRL's two wholly owned subsidiaries JR Restaurants Australia Pty Ltd and Birddzz Pty Ltd. The Company has less than a 22% economic interest in all other entities treated as subsidiaries in the consolidated financial statements. Those entities are consolidated on the basis of the power the Company has over investees and the extent of exposure the Company has to variable returns from investees. The directors believe that the consolidated financial report is the most appropriate presentation of the performance and financial position of the Group entities even though there is a large component (80%) of non-controlling interest in Group equity.

Carrying value of goodwill
All of the Group's goodwill is contained within JBFG and its controlled entities. The Group has identified four CGUs within its total investment in JBFG. The four CGUS identified are:

- Broking
- Foreign currency
- 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.

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

Fair value measurement hierarchy
The Group 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 consolidated entity 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.

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. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments:

- Investment Management Services: The segment consists of the Group's provision of investment management services for clients and management of its own listed equity investments. Revenue consists of management and performance fees.

- Operations of investments in subsidiaries: The segment consists of the operational activities of entities included in the consolidated Group in accordance with AASB 10 Consolidated Financial Statements. It consists of both new and existing unlisted entities by incorporation of new entities and acquisition, building a portfolio of investment in operating entities with future growth prospects. Revenues consist of brokerage, foreign currency revenue, proprietary trading revenue and professional services revenue.

These operating segments are based on the internal reports that are reviewed and used by the Managing Director and his immediate executive team (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

2018	Investment management services $	Operations of investments in subsidiaries $	Total $
External revenue	3,401,215	50,494,543	53,895,758
Intersegment revenue	107,793	-	107,793
Net revenue	3,509,008	50,494,543	54,003,551
Other income	(2,913,989)	(28,946)	(2,942,935)
Interest income	2,392	203,103	205,495
Total other income / (losses)	(2,911,597)	174,157	(2,737,440)
Depreciation and amortisation	(331,328)	(1,593,480)	(1,924,808)
Other operating expenses	(1,132,499)	(11,714,504)	(12,847,003)
Total operating expenses	(1,463,827)	(13,307,984)	(14,771,811)
Trading expenses	-	(5,617,464)	(5,617,464)
Employee benefits expense	(3,937,270)	(21,596,138)	(25,533,408)
Intersegment employee benefits expense	-	(107,793)	(107,793)
Total employee benefits	(3,937,720)	(21,703,931)	(25,641,201)
Professional services expenses	(1,245,112)	(10,115,163)	(11,360,275)
Other expenses	(1,110,998)	(6,038,393)	(7,149,391)
Impairment of assets	(700,799)	(6,978,127)	(7,678,926)
Interest expense	(405,900)	(329,316)	(735,216)
(Loss) / profit before tax	(8,266,495)	(13,421,678)	(21,688,173)
Income tax benefit / (expense)	4,190,760	824,745	5,015,505
(Loss) / profit after tax	(4,075,735)	(12,596,933)	(16,672,668)

Note 4. Operating segments (continued)

2018	Investment Management services $	Operations of investments in subsidiaries $	Total $
Segment assets	5,580,527	89,508,845	95,089,372
Segment liabilities	(14,871,745)	(30,545,331)	(45,417,076)
Segment net assets	(9,291,218)	58,963,514	49,672,296

2017	Investment management services $	Operations of investments in subsidiaries $	Total $
External revenue	7,841,069	9,202,854	17,043,923
Intersegment revenue	5,132,010	2,224,866	7,356,876
Net revenue	12,973,079	11,427,720	24,400,799
Other income	3,856,163	203,114	4,059,277
Interest income	472	16,508	16,980
Total other income	3,856,635	219,622	4,076,257
Depreciation and amortisation	(31,544)	(347,816)	(379,360)
Other operating expenses	(204,000)	(1,076,305)	(1,280,305)
Total operating expenses	(235,544)	(1,424,121)	(1,659,665)
Employee benefits expense	(1,695,861)	(5,162,193)	(6,858,054)
Professional services expense	(999,087)	(2,204,909)	(3,203,996)
Other expenses	(538,739)	(2,413,019)	(2,951,757)
Interest expense	(90,387)	(830)	(91,217)
Eliminate intersegment revenue	(5,132,010)	(2,224,866)	(7,356,876)
(Loss) / Profit before tax	8,138,087	(1,782,596)	6,355,491
Income tax benefit / (expense)	(2,359,326)	427,885	(1,931,441)
(Loss) / profit after tax	5,778,761	(1,354,711)	4,424,050

2017	Investment management services $	Operations of investments in subsidiaries $	Total $
Segment assets	31,899,874	46,194,429	78,094,303
Segment liabilities	(11,970,752)	(9,650,801)	(21,621,553)
Segment net assets	19,929,122	36,543,628	56,472,750

Note 5. 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.

Note 5. Revenue (continued)

	Consolidated 2018 $	Consolidated 2017 $
Sales and services revenue		
Foreign currency exchange revenue	11,368,150	4,328,682
Proprietary trading gains	14,777,787	-
Professional services	17,750,753	3,788,904
Consultancy fee income	893,434	-
Brokerage and commission	5,039,385	1,031,414
Restaurant sales	1,558,468	-
	51,387,977	9,149,000
Management and performance fee income		
Management fees	1,711,544	785,600
Performance fees	904,030	7,109,322
	2,615,574	7,894,922
Revenue	54,003,551	17,043,922

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 gain
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. Where commission and brokerage revenue is subject to meeting certain performance hurdles they are recognised when it is highly probable those conditions will not affect the outcome.

Restaurant sales
Restaurant sale revenue on food and beverage sales is recognised as services are rendered.

Management fee and performance fee income
Management fees are recognised in accordance with agreements entered into with counterparties to whom management services are provided. Management fees for ongoing management services are charged on a regular basis and recognised at the time the services are provided. Performance fees are recognised when financial performance outcomes of the underlying investment companies can be reliably measured. Performance fees are accrued when any outperformance of stated benchmarks are exceeded.

Note 6. Other income/(losses)

	Consolidated 2018 $	Consolidated 2017 $
Net foreign exchange gain/(loss)	(168,004)	148,002
Dividend income	4,800	592,699
Interest income	114,816	16,979
Interest income on purchased debt ledgers	90,679	-
Net (loss) / gain on financial instruments at fair value through profit or loss	(2,916,443)	3,207,603
Miscellaneous income	136,712	110,974
Other income/(losses)	(2,737,440)	4,076,257

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 38.

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 7. Operating expenses

	Consolidated 2018 $	Consolidated 2017 $
Foreign banknote usage fee	618,511	-
Commissions paid to investment brokers	3,002,764	279,907
Dealing expenses	39,893	2,836
Restaurant cost of sales	693,365	-
Depreciation and amortisation	1,924,808	379,360
Rental expenses	3,932,604	997,562
Exchange fees	4,559,866	-
	14,771,811	1,659,665

Note 8. Traders fees

Traders fees are the profit share earned by proprietary traders of Genesis. Refer to Note 26(c).

	Consolidated 2018 $	Consolidated 2017 $
Traders fees	5,617,464	-

Note 9. 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.

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

	Consolidated	
	2018	2017
	$	$
Salary, wages and other short term benefits	23,816,722	6,152,344
Post-employment benefits	1,731,533	563,342
Long term benefits	92,946	142,368
	25,641,201	6,858,054

Note 10. Professional services expenses

	Consolidated	
	2018	2017
	$	$
Professional services expenses - Consultants	8,771,938	1,881,382
Professional services expenses - Legal expenses	806,793	321,815
Professional services expenses - Accounting and audit expenses	1,544,621	844,136
Insurance	236,923	156,662
	11,360,275	3,203,995

Note 11. Other expenses

	Consolidated 2018 $	Consolidated 2017 $
Travel expenses	934,959	781,589
Management fees	139,616	503,978
Marketing and advertising	702,136	377,657
Printing and stationery	247,680	103,700
IT and communications	1,333,128	260,049
Professional subscriptions	725,344	29,582
Transport	284,000	104,514
Utilities	227,988	33,528
Security expenses	526,294	4,776
Net gain on disposal of property, plant and equipment	11,204	-
Staff related expenses	217,318	95,045
Administration costs	412,443	150,263
Merchant fees	157,088	58,289
Other	1,230,193	448,787
	7,149,391	2,951,757

Note 12. Impairment expense

	Consolidated 2018 $	Consolidated 2017 $
Impairment expenses - Purchased debt ledgers (Note 24)	2,124,346	-
Impairment expenses - Franchise (Note 22)	4,211,595	-
Impairment expenses - Software (Note 22)	642,186	-
Impairment of other assets (Note 17)	700,799	-
	7,678,926	-

Note 13. Income tax

	Consolidated 2018 $	Consolidated 2017 $
Income tax expense/(benefit)		
Current tax	1,173,215	(1,650,374)
Deferred tax - origination and reversal of temporary differences	(6,188,720)	3,581,815
Aggregate income tax expense/(benefit)	(5,015,505)	1,931,441
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	(21,688,173)	6,355,491
Tax at the statutory tax rate of 30%	(6,506,452)	1,906,647
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	1,853,512	107,327
Franking credits received	-	(79,372)
Differential tax rates across jurisdictions	396	(3,161)
Prior years unders / overs	(362,961)	-
Income tax expense/(benefit)	(5,015,505)	1,931,441

	Consolidated 2018 $	Consolidated 2017 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	3,742,938	2,226,316
Impairment of receivables	90,679	24,704
Property, plant and equipment	28,495	-
Provision for trader settlements	2,282,482	-
Short term provisions and other payables	890,975	700,211
Capital raising costs (deductible over 5 years)	88,358	93,089
Unrealised losses on financial assets	732,914	70,230
Deferred tax asset	7,856,841	3,114,550

	Consolidated 2018 $	Consolidated 2017 $
Provision for income tax		
Provision for income tax	80,851	3,199,492

Accounting policy for 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.

Note 13. Income tax (continued)

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.

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.

Note 14. Earnings per share

	Consolidated	
	2018	**2017**
	$	**$**
Profit/(loss) after income tax	(16,672,668)	4,424,050
Non-controlling interest	5,547,194	(400,850)
Profit/(loss) after income tax attributable to the owners of John Bridgeman Limited	(11,125,474)	4,023,200
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	25,694,957	18,117,183
Adjustments for calculation of diluted earnings per share:		
Weighted average number of dilutive options and convertible notes outstanding	-	7,660,096
Weighted average number of ordinary shares used in calculating diluted earnings per share	25,694,957	25,777,279
	Cents	**Cents**
Basic earnings per share	(43.30)	22.21
Diluted earnings per share	(43.30)	15.61

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

Antidilutive options were excluded from dilutive EPS calculation, therefore the basic and diluted EPS are the same.

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of John Bridgeman Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 14. Earnings per share (continued)

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 15. Current assets - Cash and cash equivalents

	Consolidated	
	2018 $	2017 $
Currency held as stock (a)	9,140,900	2,763,176
Cash at bank (b)	9,778,236	8,879,914
	18,919,136	11,643,090

(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 (Note 26) 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.

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 16. Current assets - Inventory

	Consolidated	
	2018 $	2017 $
Restaurant inventories	45,511	48,039

Accounting policy for inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 17. Current assets - Trade and other receivables

	Consolidated	
	2018	2017
	$	$
Trade receivables	4,803,288	7,742,919
Less: Provision for impairment of receivables	(48,242)	(82,599)
	4,755,046	7,660,320
Other receivables	543,454	306,403
Receivable in respect of issue of shares by Group entities (a)	2,440,000	7,047,040
Receivable for sale of listed shares (a)	2,050,000	2,050,000
Less: Provision for impairment of receivables (a)	(700,799)	-
	9,087,701	17,063,763

(a) Subsequent to the year end the receivable balances have been settled via transfer of 814,882 JBFG shares to the Company at a value of $5.51 per share. The reported value of JBFG shares at 30 June 2018 was $4.65 per share. There was a provision for impairment recognised to reflect the adjustment in fair value of the share.

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $3,112,703 as at 30 June 2018 ($1,436,007 as at 30 June 2017).

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

	Consolidated	
	2018	2017
	$	$
0 to 3 months overdue	2,425,377	1,140,144
3 to 6 months overdue	687,326	295,863
	3,112,703	1,436,007

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.

Note 18. Current assets - Balances held with brokers

	Consolidated	
	2018	2017
	$	$
Balances held with brokers	3,414,108	-

This 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 19. Current assets - Other current assets

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

	Consolidated	
	2018	2017
	$	$
Accrued revenue - trailing commission	698,559	-
Prepayments	485,319	247,594
Licence fee deposit - non-refundable	-	148,098
Other current assets	138,191	-
	1,322,069	395,692

Note 20. Non-current assets - Investments at fair value through profit and loss

	Consolidated	
	2018	2017
	$	$
Investments in listed equities	3,581,897	6,649,775
Investments in commodities	-	20,904
	3,581,897	6,670,679

Investments at fair value through profit and loss include 3,165,083 (2017: 3,165,083) shares in Henry Morgan Limited (ASX:HML) valued at $3,544,893 (2017: $6,298,515). The investment in HML is valued using the net asset value for the year ended 30 June 2018 and is classified as a level 3 security. Refer to Note 38.

Note 21. Non-current assets - Property, plant and equipment

	Consolidated 2018 $	2017 $
Leasehold improvements - at cost	3,980,165	2,013,486
Less: Accumulated depreciation	(599,292)	(22,344)
	3,380,873	1,991,142
Plant and equipment - at cost	1,711,218	1,317,632
Less: Accumulated depreciation	(308,954)	(59,183)
	1,402,264	1,258,449
Motor vehicles - at cost	1,067,571	1,084,323
Less: Accumulated depreciation	(192,081)	(31,465)
	875,490	1,052,858
	5,658,627	4,302,449

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Total $
Balance at 1 July 2016	-	-	5,681	5,681
Additions	1,926,098	624,814	772,690	3,323,602
Additions through business combinations	87,388	692,815	313,880	1,094,083
Disposals	-	-	(6,615)	(6,615)
Depreciation expense	(22,344)	(59,180)	(32,778)	(114,302)
Balance at 30 June 2017	1,991,142	1,258,449	1,052,858	4,302,449
Additions	1,515,391	647,828	33,690	2,196,909
Additions through business combinations (note 44)	117,762	128,115	16,115	261,992
Disposals	(328)	(48,446)	(66,557)	(115,331)
Exchange differences	-	(56)	-	(56)
Transfers in/(out)	333,853	(333,853)	-	-
Depreciation expense	(576,947)	(249,773)	(160,616)	(987,336)
Balance at 30 June 2018	3,380,873	1,402,264	875,490	5,658,627

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.

Note 21. Non-current assets - Property, plant and equipment (continued)

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.

Note 22. Non-current assets - Intangibles

	Consolidated	
	2018	2017
	$	$
Goodwill - at cost	40,107,865	29,682,845
Licenses - at cost	4,963,960	3,485,709
Less: Accumulated amortisation	(750,365)	(261,428)
Less: Impairment	(4,211,595)	-
	2,000	3,224,281
Software - at cost	3,598,461	82,390
Less: Accumulated amortisation	(314,359)	(3,630)
Less: Impairment	(642,186)	-
	2,641,916	78,760
Other intangible assets - at cost	266,878	-
Less: Accumulated amortisation	(137,804)	-
	129,074	-
	42,880,855	32,985,886

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

Consolidated	Goodwill $	Licences $	Software $	Other intangible assets $	Total $
Balance at 1 July 2016	434,226	-	-	-	434,226
Additions	-	3,485,709	29,555	-	3,515,264
Additions through business combinations	29,423,585	-	52,835	-	29,476,420
Disposals	(174,966)	-	-	-	(174,966)
Amortisation expense	-	(261,428)	(3,630)	-	(265,058)
Balance at 30 June 2017	29,682,845	3,224,281	78,760	-	32,985,886
Additions	-	1,478,252	890,391	-	2,368,643
Additions through business combinations (note 44)	13,058,928	-	25,680	266,878	13,351,486
Finalisation of provisional accounting	(2,630,377)	-	2,600,000	-	(30,377)
Exchange differences	(3,531)	-	-	-	(3,531)
Impairment of assets	-	(4,211,595)	(642,186)	-	(4,853,781)
Amortisation expense	-	(488,938)	(310,729)	(137,804)	(937,471)
Balance at 30 June 2018	40,107,865	2,000	2,641,916	129,074	42,880,855

Note 22. Non-current assets - Intangibles (continued)

Provisional accounting - Adjustment of comparatives
On 11 May 2017 RSM acquired a business called Advance Group Holdings Pty Ltd ('Advance'). Goodwill recognised was $16,553,041 in the provisional accounting. 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:

	As reported 30 June 2017 $	As restated 30 June 2017 $
Profit or loss (software amortisation expense)	(3,630)	(39,939)
Goodwill	16,553,041	13,953,041
Software	-	2,600,000
	16,549,411	16,513,102

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

	Consolidated 2018 $	Consolidated 2017 $
Impairment testing for CGU's containing goodwill		
Broking	2,831,412	2,831,412
Foreign currency	7,497,938	7,497,938
Mercantile service business	19,531,299	19,353,495
Commercial lending	455,482	-
Proprietary trading	9,791,734	-
	40,107,865	29,682,845

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.

All of the Group's goodwill is contained within JBFG and its subsidiaries. The Group has evaluated the recoverability of goodwill with reference to the directors' assessment of the fair value less costs to disposal of JBFG and its subsidiaries. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation. The fair value has been determined from management forecasts prepared by the JBFG 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 JBFG vary significantly in terms of their operational nature, capital requirements, return on capital employed and earnings profile.

Note 22. Non-current assets - Intangibles (continued)

Key assumptions in the calculation were as follows:

Cash Generating Unit	Valuation methodology and forecast period
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	Earnings multiple method using Enterprise Value ('EV') to EBITDA on forecast for FY19
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.

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:

Change required for carrying amount to equal recoverable amount

	EBITDA $m	**Earnings Multiple**
Broking	(3.0)	(7.8)
Foreign Currency	(4.3)	(8.9)
Mercantile Service Business	(0.8)	(2.0)
Proprietary trading	(4.9)	0.1

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

The entities within the broking and proprietary trading businesses have simple, low leverage capital structures and therefore a 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 account for the lack of trading liquidity of the shares.

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.

Forecast EBITDA for the mercantile business has been calculated using historical earnings and applying a conservative growth rate due 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.

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. This impairment has been included in the operations of investments in subsidiaries segment.

Impairment of franchise licences

Note 22. Non-current assets - Intangibles (continued)

Australia's retail food industry has experienced a significant slowdown in growth since the beginning of 2018. A confluence of factors has led to weakness in the retail space and a decline in consumer spending. As a result of these industry pressures, the development programme for the Wingstop and Johnny Rockets stores is being revised. As a result, the value of the Company's franchise licences has been impaired as the number of stores originally planned for opening by the end of calendar year 2018 will be less. The Group recognised an impairment expense of $4,211,595 for the total impairment against franchise licensing. This impairment has been included in the operations of investments in subsidiaries segment.

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.

Licences
Significant costs associated with licences are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 5 and 10 years.

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.

Note 23. Non-current assets - deferred tax

	Consolidated	
	2018	**2017**
	$	**$**
Deferred tax asset	7,856,841	3,114,550

Note 24. Non-current assets - Purchased debt ledgers

	Consolidated	
	2018	**2017**
	$	**$**
Purchased debt ledgers	2,559,008	2,099,788
Provision for impairment of purchased debt ledgers (a)	(2,124,346)	-
	434,662	2,099,788

Note 24. 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 25. Non-current assets - Security deposits

	Consolidated	
	2018 $	2017 $
Security deposits - refundable	764,004	91,113

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 26. Current liabilities - Trade and other payables

	Consolidated	
	2018 $	2017 $
Trade payables (a)	9,698,006	6,711,915
Foreign currency bank notes payable (b)	8,213,198	-
Commission payable to traders (c)	7,608,273	-
Client funds	4,227,700	-
Licensing fee payable	1,065,372	1,086,352
Payable in respect of subsidiary acquisition	-	60,000
Accrued expenses	1,051,100	520,201
Interest payable	74,582	-
Other payables	5,776	-
	31,944,007	8,378,468

(a) Included within trade payables is a payable to Benjamin Hornigold Limited ('BHD') of $4,537,406. Subsequent to the end of the year, on 17 September 2018, BHD and the Company entered into a repayment arrangement over a term of 18 months at an interest rate of 11.5% pa.

(b) 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 expense of which $49,619 on the banknotes are included in accrued expenses.

(c) 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 8 for traders fee recognised in profit or loss.

Note 26. Current liabilities - Trade and other payables (continued)

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.

Note 27. Current liabilities - Borrowings

	Consolidated 2018 $	Consolidated 2017 $
Bank overdraft	22,883	332,822
Loans from related parties (a)	509,979	1,740,000
Convertible loan (b)	2,305,278	-
Other	8,996	5,969
Hire purchase	75,026	-
Lease liability	107,996	150,152
	3,030,158	2,228,943

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

Consolidated - 2018	Bank overdraft $	Other loans and borrowings $	Convertible notes issued $	Loans from related parties $	Finance lease and lease incentive liabilities $	Convertible loan $	Total $
Changes from financing cashflows							
Balance at 1 July 2017	332,822	32,433	3,798,701	1,740,000	2,138,454	-	8,042,410
Settlement of debt	(309,939)	(15,805)	-	(1,336,023)	(35,459)	-	(1,697,226)
Proceeds from debt raised	-	-	-	-	-	2,200,000	2,200,000
Total for changes from financing activities	(309,939)	(15,805)	3,798,701	(1,336,023)	(35,459)	2,200,000	502,774
Conversion of convertible notes	-	-	(545,887)	-	-	-	(545,887)
Changes arising from obtaining control of subsidiaries	-	(2,722)	-	106,002	60,297	-	163,577
Interest expense	-	-	47,960	-	-	105,278	153,238
Total liability related charges	-	(2,722)	(497,927)	106,002	60,297	105,278	(229,072)
Balance at 30 June 2018	22,883	13,906	3,300,774	509,979	2,163,292	2,305,278	8,316,112

(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.

(b) On 11 September 2017, JBFG, a controlled entity, 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, a wholly-owned subsidiary of JBFG. 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 JBFG 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 28. Current liabilities - Provisions

	Consolidated 2018 $	2017 $
Employee benefits	1,458,988	792,138

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 29. Non-current liabilities - Payables

	Consolidated 2018 $	2017 $
Licensing fee payable	-	1,086,343
Other payables	303,691	125,940
	303,691	1,212,283

Refer to note 37 for further information on financial risk management.

Note 30. Non-current liabilities - Borrowings

	Consolidated 2018 $	2017 $
Other	4,910	26,464
Convertible notes payable (1)	3,300,774	3,798,701
Lease incentive liabilities (2)	1,200,542	1,097,522
Finance lease liabilities (3)	779,728	890,780
	5,285,954	5,813,467

Refer to note 37 for further information on financial risk management.

(1) On 6 April 2017, the Company issued 2,600,000 convertible notes with a face value of $1.58, maturing on 6 April 2022. Each note is convertible to one fully paid ordinary share in JBL at any time before expiry at the discretion of the holder. During the year 372,150 convertible notes were converted into ordinary shares in JBL leaving 2,227,850 convertible notes remaining.

(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%.

Finance lease liabilities are payable as follows:

Note 30. Non-current liabilities - Borrowings (continued)

	Future minimum lease payments 2018 $	Future minimum lease payments 2017 $	Interest 2018 $	Interest 2017 $	Present value of minimum lease payments 2018 $	Present value of minimum lease payments 2017 $
Less than one year	223,601	419,928	40,579	76,944	183,022	150,152
Between one and five years	869,483	819,604	89,755	110,444	779,728	890,780
	1,093,084	1,239,532	130,334	187,388	962,750	1,040,932

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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Note 31. Non-current liabilities - Deferred tax

	Consolidated	
	2018 **$**	**2017** **$**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Unrealised gains on financial assets	-	954,121
Property, plant and equipment	42,679	5,883
Interest receivable	33,137	45,690
Other current assets	729	63,477
Accrued revenue	255,985	-
Management fee receivable	2,134,768	-
Work in progress	162,872	-
Deferred tax liability	2,630,170	1,069,171

Note 32. Non-current liabilities - Provisions

	Consolidated	
	2018	**2017**
	$	**$**
Employee benefits	349,147	370,268
Lease make good	334,110	172,074
	683,257	542,342

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.

Note 33. Equity - Issued capital

	Consolidated			
	2018	**2017**	**2018**	**2017**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	26,766,945	23,988,417	25,567,380	20,216,505

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 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.

Note 33. Equity - Issued capital (continued)

	2018 $	2017 $
Movements in shares on issue		
Balance at the beginning of the year	20,216,505	10,033,968
120,000 ordinary shares at $1.10 issued on 17 January 2017	-	132,000
10,000 share buy back at $2.23 per share on 1 February 2017	-	(22,300)
1,000,000 ordinary shares at $1.10 issued on 10 February 2017	-	1,100,000
2,000 ordinary shares at $1.10 issued on 22 March 2017	-	2,200
2,000 ordinary shares at $1.10 issued on 26 May 2017	-	2,200
5,294,117 ordinary shares at $1.70 issued on 23 June 2017	-	8,999,998
Share issue costs	-	(50,261)
12,000 ordinary shares at $1.10 issued on 23 June 2017	-	13,200
5,000 ordinary shares at $1.10 issued on 30 June 2017	-	5,500
4,000 ordinary shares at $1.10 issued on 11 August 2017	4,400	-
372,150 ordinary shares at $1.58 on conversion of the convertible notes on 16 October 2017	587,997	-
87,500 ordinary shares at $1.20 issued on 14 November 2017	105,000	-
2,272,878 ordinary shares at $2.05 issued on 27 November 2017	4,659,400	-
42,000 ordinary shares at $1.10 issued on 22 February 2018	46,200	-
Share issue costs	(52,122)	-
Balance at the end of the year	25,567,380	20,216,505

Options
In accordance with the Company's prospectus and subsequent capital raisings, attached to each ordinary share issued was an option with an exercise price of $1.10 per option, exercisable from the date of issue to 31 March 2020.
The options hold no voting or dividend rights and are not transferable. As at 30 June 2018, total share options outstanding was 26,121,678 (2017:23,982,300).

	2018 Options	2017 Options
Movements in options on issue		
Balance at the beginning of the year	23,982,300	25,123,300
Exercised on 17 January 2017	-	(120,000)
Exercised on 10 February 2017	-	(1,000,000)
Exercised on 22 March 2017	-	(2,000)
Exercised on 26 May 2017	-	(2,000)
Exercised on 23 June 2017	-	(12,000)
Exercised on 30 June 2017	-	(5,000)
Exercised on 10 August 2017	(4,000)	-
Exercised on 13 November 2017	(87,500)	-
Issued on 23 November 2017	2,272,878	-
Exercised on 21 February 2018	(42,000)	-
	26,121,678	23,982,300

	2018 Convertible notes	2017 Convertible notes
Movements in convertible notes on issue		
Balance at beginning of the year	2,600,000	-
2,600,000 convertible notes issued on 6 April 2017	-	2,600,000
372,150 ordinary shares issued on conversion of the convertible notes on 16 October 2017	(372,150)	-
	2,227,850	2,600,000

Note 33. Equity - Issued capital (continued)

Share buy-back
The Company has a current on-market share buy-back operational between 14 November 2017 and 12 November 2018. There were no shares bought back during the year under the buy-back. 1,935,158 shares were bought back after the end of the year on 3 August 2018 and a further 464,083 shares were bought back and cancelled on 24 September 2018.

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.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 34. Equity - Reserves

	Consolidated	
	2018	**2017**
	$	**$**
Foreign currency reserve	(959)	(1,410)
Share-based payments reserve	212,595	212,595
Convertible debt reserve	219,075	261,184
Shareholder change in interest reserve	(10,686,106)	(6,475,395)
	(10,255,395)	(6,003,026)

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.

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

Note 34. Equity - Reserves (continued)

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. There were no additions to this reserve during the year (2017: $nil).

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 35. Equity - retained profits/(accumulated losses)

	Consolidated	
	2018	**2017**
	$	**$**
Retained profits/(accumulated losses) at the beginning of the financial year	2,879,120	(1,144,080)
Profit/(loss) after income tax (expense)/benefit for the year	(11,125,474)	4,023,200
Retained profits/(accumulated losses) at the end of the financial year	(8,246,354)	2,879,120

Note 36. Equity - dividends

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

Note 37. 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 annually.

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

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 Chief Investment Officer considers currency valuations at the entity level when making investment decisions. The Company's investment in physical foreign banknote portfolio is typically unhedged, however the derivatives investment portfolio may be used to hedge the physical foreign banknote portfolio if the Chief Investment Officer determines that it is warranted. Currency exposure may be hedged defensively where the Chief Investment Officer sees a significant risk of currency weakness.

Note 37. Financial risk management (continued)

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

Consolidated	Assets 2018 $	Assets 2017 $	Liabilities 2018 $	Liabilities 2017 $
US dollars	-	-	582,588	1,715,948
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	-	-
	1,331,670	1,746,372	1,015,809	1,715,948

Currency risk sensitivity analysis

	AUD strengthened			AUD weakened		
Consolidated - 2018	% change	Effect on profit before tax	Effect on equity	% change	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
		(9,475)	(9,475)		9,475	9,475

Note 37. Financial risk management (continued)

Consolidated - 2017	% change	AUD strengthened Effect on profit before tax	Effect on equity	% change	AUD weakened Effect on profit before tax	Effect on equity
United States Dollar	3%	51,478	51,478	(3%)	(51,478)	(51,478)
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
		(912)	(912)		912	912

The sensitivity analysis is based on the assumption that the Australian dollar strengthened or weakened by the sensitivity rates against the other currencies. The sensitivity rates represent the 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.

Price risk
Market prices fluctuate due to a range of factors specific to the individual investments or factors affecting the market in general. Price risk exposure arises from the Group's investment portfolio which comprises predominately derivative market contracts, Australian listed securities, global equity and foreign currency indices.

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

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

Price risk sensitivity analysis

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

An increase of 7% in market prices applicable at reporting date would have increased the Group's profit and increased the Group's net assets by $2,590 (2017: $466,948). A decrease of 7% in market prices would have an equal but opposite effect. This analysis assumes all other variables remain constant.

As at 30 June 2018, trading in Henry Morgan Limited on the ASX is suspended and price risk sensitivity relating to this investment cannot be calculated at this time. The shareholding in HML has been valued using the net asset value of HML for the year ended 30 June 2018.

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:

Note 37. Financial risk management (continued)

2018 Consolidated	Non-interest bearing $	Fixed interest rate $	Variable interest rate $	Total $
Financial Assets				
Cash and cash equivalents	18,919,136	-	-	18,919,136
Trade and other receivables	9,087,701	-	-	9,087,701
Balances held with brokers	3,414,108	-	-	3,414,108
Other current assets	1,322,069	-	-	1,322,069
Term deposits	-	908,225	-	908,225
Purchased debt ledgers	-	-	591,950	591,950
Derivative financial instruments	58,448	-	-	58,448
Security deposits	764,004	-	-	764,004
	33,565,466	908,225	591,950	35,065,641

2018 Consolidated	Non- interest bearing $	Fixed interest rate $	Variable interest rate $	Total $
Financial liabilities				
Trade and other payables	31,944,007	-	-	31,944,007
Convertible note	-	5,606,052	-	5,606,052
Loans from related parties	-	509,979	-	509,979
Finance lease liabilities	75,026	887,724	-	962,750
Bank overdraft	-	-	22,883	22,883
Other liabilities	-	317,597	-	317,597
	32,019,033	7,321,352	22,883	39,363,268

2017 Consolidated	Non-interest bearing $	Fixed Interest rate $	Variable interest rate $	Total $
Financial Assets				
Cash and cash equivalents	11,643,090	-	-	11,643,090
Trade and other receivables	17,063,763	-	-	17,063,763
Other current assets	395,692	-	-	395,692
Security deposit	91,113	-	-	91,113
Term deposits	-	593,793	-	593,793
Purchased debt ledgers	-	-	2,800,000	2,800,000
	29,193,658	593,793	2,800,000	32,587,451

Note 37. Financial risk management (continued)

2017 Consolidated	Non-interest bearing $	Fixed interest rate $	Variable interest rate $	Total $
Financial Liabilities				
Trade and other payables	8,378,468	-	-	8,378,468
Short term loan	1,740,000	-	-	1,740,000
Finance lease liabilities	1,097,522	1,040,932	-	2,138,454
Bank overdraft	-	-	332,822	332,822
Other non-current loans	-	26,464	-	26,464
Other payables	1,218,252	-	-	1,218,252
Convertible note	-	3,798,701	-	3,798,701
	12,434,242	4,866,097	332,822	17,633,161

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:

	Consolidated	
	2018 **$**	**2017** **$**
Cash and cash equivalents*	18,919,135	8,879,914
Purchased debt ledgers**	591,950	2,800,000
Trade and other receivables***	9,087,701	17,063,763
Security deposits	764,004	91,113
Term deposits	908,225	593,793
Balances held with brokers	3,414,108	-
Derivative financial instruments	58,448	-
Other current assets	836,750	-
Total	34,580,321	29,428,583

* These balances are held with an AA- rated credit bank.
** These balances, by their nature, are sensitive to changes in credit risk.
*** As at 30 June 2018, an impairment of $749,041 was recognised against trade receivables (2017: $82,599). 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.

Note 37. 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.

Consolidated - 2018	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	31,952,998	308,602	-	32,261,600
Interest-bearing - variable				
Bank overdraft	22,883	-	-	22,883
Interest-bearing - fixed rate				
Borrowings	556,825	7,327,964	394,533	8,279,322
Total non-derivatives	32,532,706	7,636,566	394,533	40,563,805

Consolidated - 2017	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Non-interest bearing				
Trade payables	8,378,468	1,212,283	-	9,590,751
Interest-bearing - variable				
Bank overdraft	332,822	-	-	332,822
Interest-bearing - fixed rate				
Borrowings	2,284,296	6,464,030	-	8,748,326
Total non-derivatives	10,995,586	7,676,313	-	18,671,899

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 38. 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.

Note 38. 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

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value				
Investments at fair value through profit or loss	37,004	-	3,544,893	3,581,897
Derivative financial instruments	58,448	-	-	58,448
Total assets	95,452	-	3,544,893	3,640,345

Carrying amounts Consolidated - 2018	Fair value $	Measured at amortised cost $
Financial assets		
Purchased debt ledgers (a)	591,950	591,950
Security deposit (b)	688,263	764,004
	1,280,213	1,355,954

Note 38. Fair value measurement (continued)

Carrying amounts Consolidated - 2018	Fair value $	Measured at amortised cost $
Financial liabilities		
Foreign currency bank notes (payable) (c)	8,213,198	8,213,198
Convertible notes	3,334,361	3,300,774
Convertible loan - host contract (d)	2,326,121	2,305,278
Finance lease liabilities	962,750	962,750
	14,836,430	14,782,000

(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, JBFG 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 JBFG or Genesis at a fixed price per share. Both JBFG and Genesis have unquoted equity instruments. The current share price of both JBFG 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 JBFG 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.

Consolidated - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Investments at fair value through profit or loss	6,649,775	-	-	6,649,775
Investment in commodities	20,904	-	-	20,904
Total assets	6,670,679	-	-	6,670,679
Liabilities				
Convertible notes - liability component	-	3,798,701	-	3,798,701
Total liabilities	-	3,798,701	-	3,798,701

Carrying amounts Consolidated - 2017	Measured at fair value $	Measured at amortised cost $
Financial assets		
Investments at fair value through profit or loss	6,649,775	-
Derivative financial instruments	20,904	-
Purchased debt ledgers	-	2,800,000
	6,670,679	2,800,000

Note 38. Fair value measurement (continued)

Carrying amounts Consolidated - 2017	Measured at fair value $	Measured at amortised cost $
Financial liabilities		
Convertible notes - liability component	3,798,701	-

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

Investments at fair value through profit or loss
The investment in HML has been valued using the net asset value as of HML for the year ended 30 June 2018. Investments were classified as level 3 during the current period as shares were suspended from trading on the ASX.

Convertible notes
The convertible notes consist of 2,600,000 notes issued 6 April 2017 with a face value of $1.58, maturing on 6 April 2022. Each note is convertible to one fully paid ordinary share in JBL at any time before expiry at the discretion of the holder. During the year 372,150 convertible notes were converted into ordinary shares in JBL leaving 2,227,850 convertible notes remaining. On the issue of the convertible notes the liability is recognised at fair value using a market rate for an equivalent non-convertible bond.

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.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Investments at fair value through P&L $	Total $
Balance at 1 July 2016	-	-
Balance at 30 June 2017	-	-
Transfers into level 3	6,298,515	6,298,515
Gains/(losses) recognised in profit or loss	(2,753,622)	(2,753,622)
Balance at 30 June 2018	3,544,893	3,544,893

For Level 3 fair values, reasonably possible changes in the significant unobservable inputs would have the following effect.

	Increase	Decrease
Change in NAV (1%)	31,651	(31,651)

Transfers into Level 3
The Group holds an investment in equity shares of HML, which is classified as an investment at fair value through profit and loss with a fair value of $3,544,893 at 30 June 2018 (2017: $6,298,515). The fair value of this investment was categorised as Level 3 at 30 June 2018 (for information on the valuation technique, see the table below). This was because the shares were suspended from trading and there was no observable arm's length transactions in shares.

Note 38. Fair value measurement (continued)

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	Inter-relationship between significant unobservable inputs, fair value measurement and sensitivities
Investment in HML	Net Asset Value ("NAV") technique is used to determine the value of the underlying investment.	The HML share price is unobservable as shares were suspended from trading on the ASX.	The estimated fair value would increase (decrease) if the net asset value increases (decreases).
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)
Convertible notes - liability	Market interest rate for an unsecured loan of 9.65% was used as the effective interest rate for the debt portion.	- Discount rate	The estimated fair value would increase (decrease) if: - the discount rate were lower (higher)
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

The financial assets and liabilities recognised by HML at 30 June 2018 were carried at fair value. No other adjustments to the NAV have been applied at 30 June 2018. Refer to the HML annual financial report for further detail in determining the value of the investments held by HML.

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.

Note 39. Key management personnel disclosures

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

	Consolidated	
	2018	**2017**
	$	**$**
Short-term employee benefits	1,205,079	720,039
Post-employment benefits	46,310	21,607
Long-term benefits	-	40,635
	1,251,389	782,281

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

Note 40. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Company:

	Consolidated	
	2018	**2017**
	$	**$**
Audit services -		
Audit or review of the financial statements	687,500	501,641
Other services -		
Secondment fees	-	28,413
Investigative accounting assistance	49,260	-
	49,260	28,413
	736,760	530,054

Note 41. Commitments

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

	Consolidated	
	2018	**2017**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,096,927	2,267,702
One to five years	10,120,398	7,696,625
More than five years	3,496,268	5,354,165
	16,713,593	15,318,492

Note 42. 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 Chairman and each of the Executive Directors;
ii) The interest in the Company held directly and indirectly by the Chairman, Non-Executive Directors and Executive Directors (refer to directors' report).
iii) Various loans, agreements and equity transactions occurred between entities within the Group and with associated entities as noted below.

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

BRL - Bartholomew Roberts Ltd
HML - Henry Morgan Limited
BHD - Benjamin Hornigold Limited
Genesis - Genesis Proprietary Trading
JBL - John Bridgeman Limited
JB Markets - JB Markets Pty Ltd
High Alpha Fund - JB High Alpha Fund
Samuel Axe - Samuel Axe Enhanced Fund Ltd
William Kidd - William Kidd Ltd

Subsidiaries
Interests in subsidiaries are set out in note 45.

Key management personnel
Disclosures relating to key management personnel are set out in note 39 and the remuneration report included in the directors' report.

Note 42. Related party transactions (continued)

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

	Consolidated	
	2018	2017
	$	$
Sale of goods and services:		
Management fees charged by the Company to HML	1,092,427	8,595,891
Management fees charged by the Company to BHD	630,941	-
Brokerage fees charged to HML	1,292,382	584,816
Brokerage fees charged to BHD	2,060,578	-
Commission charged to BHD	163,889	-
Performance fees charged by the Company to HML	472,398	-
Performance fees charged by the Company to BHD	431,632	-
Other income:		
Dividends received from BHD	4,800	-
Other income for time involved in accounting and other professional services charged to HML	697,754	-
Other income for time involved in accounting and other professional services charged to BHD	77,902	-
Payment for other expenses:		
Interest incurred on loan from HML	21,884	-
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	-

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

	Consolidated	
	2018	2017
	$	$
Current receivables:		
Brokerage fee receivable from HML	5,413	584,816
Other receivable from Samuel Axe	26,445	-
Other receivable from William Kidd	24,510	-
Current payables:		
Management fee payable to HML	6,250	(3,580,141)
Trade payables to HML	106,305	-
Foreign currency banknotes held on behalf of HML	645,604	-
Trade payables to BHD	4,582,308	-
Genesis payable to BHD	70,919	-
Foreign currency banknotes held on behalf of BHD	7,567,612	-

Note 42. 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:

	Consolidated	
	2018 $	2017 $
Current borrowings:		
Loan from HML	471,884	-
Loan from other related parties	38,095	-
Other loan from related party	1,041	-
Convertible loan with BHD	2,305,278	-

Other transactions

At year end the Company continued to carry an investment in HML which has been valued using the net asset value of HML as of 30 June 2018. The investment was valued at $3,544,983 in 2018 (2017: 6,298,515)

At year end the Company continued to carry an investment in BHD valued at $37,004 (2017: $50,065).

During the year the Company allotted 1,398,573 ordinary shares and the same number of options over ordinary shares for $2,867,074 to HML.
During the year the Company allotted 536,585 ordinary shares and the same number of options over ordinary shares for $1,099,999 to BHD.
An additional 43,000 shares were purchased on-market by BHD during October 2017.

Note 42. Related party transactions (continued)

Changes in investments in consolidated entities

Between 11 September and 31 October 2017 JB Financial Group Pty Ltd ('JBFG') issued 158,227 shares to the Company in four tranches at $7.90 per share. On 8 November 2017 the Company acquired 30,000 shares in JBFG from a third party. On 28 June 2018 JBFG issued 690,104 shares to the Company at $5.94 per share. These transactions increased the Company's direct investment in JBFG to 1,150,563 shares (4.27%) in JBFG (2017: 272,232 shares (1.75%)) , taking the Company's investment in JBFG, at cost, to $7,031,582 (2017: $1,499,998).

On 26 October 2017 the Company purchased 17,346 shares in Bartholomew Roberts Pty Ltd ('BRL') for $199,999 and on 26 February 2018 the Company swapped a receivable from BRL for 764,885 shares in BRL valued at $7,266,410. Those transactions increased the Company's shareholding in BRL to 2,570,827 shares (53.6%) from 1,788,596 shares (44.5%) held at 30 June 2017, taking the Company's investment in BRL, at cost, to $14,193,818 (2017: $6,727,409).

On 3 July 2017 Risk and Security Management Pty Ltd (a wholly owned subsidiary of JBFG) 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 JBFG acquired 100% of the issued shares in Genesis Proprietary Trading Pty Ltd ('Genesis') for consideration of $11,247,286 which included JBFG shares valued at $5,499,997. Genesis is one of Australia's largest proprietary trading companies.

On 17 November 2017 JBFG 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 Macro Funds Management Limited

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 43. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018 **$**	**2017** **$**
Profit/(loss) after income tax	(6,638,664)	9,367,514
Total comprehensive income	(6,638,664)	9,367,514

Note 43. Parent entity information (continued)

Statement of financial position

	Parent 2018 $	Parent 2017 $
Total current assets	14,401,791	27,115,944
Total assets	41,435,746	44,327,827
Total current liabilities	6,220,219	8,795,968
Total liabilities	13,727,773	15,289,955
Equity		
Issued capital	25,567,380	20,216,505
Share-based payments reserve	212,595	212,595
Convertible debt reserve	219,075	261,184
Retained profits	1,708,923	8,347,588
Total equity	27,707,973	29,037,872

The parent entity has not entered into any deeds of cross guarantee and has not entered into any contractual commitments for the acquisition of property, plant and equipment.

Note 44. 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:

	Genesis Proprietary Trading Pty Ltd Fair value $	Australian Legal Support Group Pty Ltd Fair value $	Growth Point Capital Pty Ltd (formerly Schuh Group Finance Pty Ltd Fair value $	Total Fair value $
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	3,083,778
Term deposit	150,125	-	-	150,125
Intangibles	131,339	161,219	-	292,558
Balance with brokers	902,854	-	-	902,854
Prepayments	52,733	11,119	30,201	94,053
Security deposit	-	15,087	-	15,087
Property, plant and equipment	142,178	64,216	55,598	261,992
Deferred tax asset	1,968,082	-	-	1,968,082
Trade and other payables	(12,402,941)	(586,812)	(125,192)	(13,114,945)
Provision for income tax	(550,294)	-	21,375	(528,919)
Deferred tax liability	(699,122)	(103,665)	-	(802,787)
Employee benefits	(81,971)	(96,267)	-	(178,238)
Lease make good provision	-	(23,631)	-	(23,631)
Loans	-	-	(106,004)	(106,004)
Lease liability	(24,865)	-	(35,433)	(60,298)
Net assets acquired	1,455,552	1,151,968	544,518	3,152,038
Goodwill	9,791,734	2,811,712	455,481	13,058,927
Acquisition-date fair value of the total consideration transferred	11,247,286	3,963,680	999,999	16,210,965
Representing:				
Cash paid	3,675,631	3,836,753	-	7,512,384
JBFG shares issued to vendor	5,499,997	-	-	5,499,997
Deferred consideration	-	126,927	-	126,927
Debt assumption / Debt conversion	2,071,658	-	999,999	3,071,657
	11,247,286	3,963,680	999,999	16,210,965

Genesis Proprietary Trading Pty Ltd

On 12 September 2017 JBFG 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 JBFG 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 results of Genesis are recorded in the "Operations of Investments in Subsidiaries" segment of the Group. 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.

Note 44. Business combinations (continued)

Australian Legal Support Group Pty Ltd

On 3 July 2017, RSM, a wholly owned subsidiary of JBFG, 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 results of ALSG are recorded in the "Operations of Investments in Subsidiaries" segment of the 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 JBFG 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 results of GPC are recorded in the "Operations of Investments in Subsidiaries" segment of the Group. 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 16 November 2017 to 30 June 2018.

Settlement of pre-existing relationship
GPC was issued 181,488 shares in JBFG on 26 April 2017 for $999,998 in a share placement resulting in a payable due to JBFG for that amount. JBFG and GPC subsequently agreed that GPC transfer 181,488 JBFG shares and assign its obligation to pay JBFG 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

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.

Note 44. Business combinations (continued)

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.

Note 45. 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 %	Ownership interest 2017 %
Bartholomew Roberts Pty Ltd	Australia	53.58%	44.53%
JB Financial Group Pty Ltd (JBFG)	Australia	21.88%	16.68%
Risk & Security Management Pty Ltd (RSM)	Australia	21.88%	16.68%
IDS Group Pty Ltd	Australia	21.88%	16.68%
Trademark Investigation Services	Australia	21.88%	16.68%
Trademark Investigation Services (NZ) Limited	New Zealand	21.88%	16.68%
Yates Pl Pty Ltd	Australia	21.88%	16.68%
Ashdale Integrity Solutions Pty Ltd	Australia	21.88%	16.68%
JB Markets Pty Ltd	Australia	21.88%	16.68%
HPH Holdings Pty Ltd	Australia	21.88%	16.68%
JB Alpha Ltd	Australia	21.88%	16.68%
King's Currency Exchange Pty Ltd	Australia	21.88%	16.68%
Harnewei Pty Ltd	Australia	21.88%	16.68%
JB Fintech Services Pty Ltd	Australia	21.88%	16.68%
JB International Payments Pty Ltd	Australia	21.88%	16.68%
JB Trading Services Pty Ltd	Australia	21.88%	16.68%
Piggybk Holdings Pty Ltd	Australia	14.77%	11.26%
Funz Holdings Pty Ltd	Australia	16.41%	12.51%
JBFX Wholesale Pty Ltd	Australia	21.88%	16.68%
JBFX Retail Pty Ltd	Australia	21.88%	16.68%
JR Restaurants Australia Pty Ltd	Australia	53.58%	44.53%
Birdzz Pty Ltd	Australia	53.58%	44.53%
Advance Group Holdings Pty Ltd	Australia	21.88%	16.68%
Capital Credit Pty Ltd (formerly Growth Point Capital Pty Ltd)	Australia	21.88%	22.26%
Australian Legal Support Group Pty Ltd	Australia	21.88%	-
Genesis Proprietary Trading Pty Ltd	Australia	21.88%	-
Growth Point Capital Pty Ltd (formerly Schuh Group Finance Pty Ltd)	Australia	21.88%	-
Great Rate Finance Pty Ltd	Australia	21.88%	-
Risk & Security Management (NZ) Limited	New Zealand	21.88%	-
JB Credit Pty Ltd	Australia	21.88%	-
JB Trading House Pty Ltd	Australia	21.88%	-
JB Macro Funds Management Limited	Australia	100.00%	-

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

Note 45. Interests in subsidiaries (continued)

2018	BRL	JB Financial Group & its subsidiaries	Intra-group eliminations	Total
NCI percentage	**46.42%**	**80.65%**		
Current assets	1,908,988	45,190,980	(30,120,534)	16,979,434
Non-current assets	21,913,374	51,167,325	(39,167,666)	33,913,033
Current liabilities	(14,748,477)	(45,800,201)	33,043,534	(27,505,144)
Non-current liabilities	(186,819)	(2,595,782)	(424,848)	(3,207,449)
Net assets	**8,887,066**	**47,962,322**	**(36,669,514)**	**20,179,874**
Carrying amount of NCI	**4,125,376**	**38,481,289**	**-**	**42,606,665**
Revenue	604,423	50,751,368		
Profit / (loss)	(4,842,118)	(3,592,445)		
OCI	-	-		
Total comprehensive income	**(4,842,118)**	**(3,592,445)**		
Profit/(Loss) allocated to NCI	(2,429,377)	(3,117,817)		
OCI allocated to NCI	-	-		
Cash flows from operating activities	848,306	(1,496,591)		
Cash flows from investing activities	-	-		
Cash flows from financing activities (dividends to NCI: nil)	(867,289)	598,099		
Net increase (decrease) in cash and cash equivalents	**(18,983)**	**(898,492)**		

Note 45. Interests in subsidiaries (continued)

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

Note 46. Events after the reporting period

Resignation of directors
On 10 July 2018, directors Vince Gordon and Simon Richardson resigned.

Loans received
On 30 July 2018, the Company received a loan facility of $2,500,000 from Stuart McAuliffe for a term of 2 months at 7.25% pa interest. An additional $1,500,000 is able to be drawn under this facility. On 6 September 2018, the interest rate was reduced to 5.5% pa and the term of the loan facility was extended by 18 months.

On 8 August 2018 the Company received a loan of $2,411,000 from Henry Morgan Limited, for a term of one year at 11.5% pa interest. On 16th October 2018 the term of the loan facility was extended by 6 months.

On 8 August 2018 the Company received a loan of $1,134,000 from Benjamin Hornigold Ltd, for a term of one year at 11.5% pa interest. On 16th October 2018 the term of the loan facility was extended by 6 months.

Buy-back of shares
On 3 August 2018, 1,935,158 shares were bought back by the Company at $2.05 for every one share with one option in a buy-back transaction. The shares and options were cancelled. The buy-back on 3 August had the effect of cancelling the allotment of those shares and options which were issued at that same price on 23 November 2017. 464,083 more shares were bought back on market at various prices on 20 September 2018 and cancelled. After the buy-backs the Company has 24,367,704 ordinary shares on issue and 24,186,520 options over ordinary shares.

Note 46. Events after the reporting period (continued)

Receivables settled by transfer of shares
Subsequent to the year end, receivables totalling $4,490,000 (Note 17) were settled via the transfer of 814,882 JBFG shares to the Company at an agreed value of $5.51 per share. The reported value of JBFG shares at 30 June 2018 was $4.65 per share. There was a provision for impairment recognised to reflect the adjustment in fair value of the share.

Transfer of intellectual property
In an agreement dated 22 August 2018 JBFG 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.

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 27), 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.

Payable converted to non-current loan
On 17 September 2018, agreement was reached for an amount of $4,500,000, which is included within trade payables in the Statement of Financial Position as a payable to BHD (refer Note 26), to be repaid under a repayment arrangement over a term of 18 months maturing on 18 March 2020 at an interest rate of 11.5% pa.

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 on sale of $695,929 was realised on sale.

Takeover bid for shares in HML and BHD
On 10 September 2018, the Company announced its intention to make an off-market takeover offer to acquire all of the issued shares in Henry Morgan Limited ('HML') that it currently does not own; and all of the issued shares and options in Benjamin Hornigold Limited ('BHD') that it does not own. The offers are not interdependent.

The proposed offer for HML is for accepting shareholders in HML to receive 0.95 JBL shares for each HML share.
The proposed offer for BHD is for accepting shareholders in BHD to receive 0.65 JBL shares for each BHD share and 0.5 JBL options for each BHD option.
The offer is subject to an acceptance condition of 50.1%.

Further information is available in the announcements made by the Company to the NSX which can be accessed at: https://www.nsx.com.au/marketdata/company-directory/announcements/JBL/

Proposed acquisition of shares and convertible note arrangement
Pursuant to transaction documentation with HML, JBFG offered HML an option to require JBFG to buy back or nominate a third party to acquire HML's direct and indirect shareholdings in JBFG in consideration for:

- $67.16 million in cash payable after two years as the option is exercised in tranches, secured against JBFG's retail foreign exchange companies;
- HML entering into an exclusive trading arrangement with JB Trading House subsidiaries for a period of five years;
- JB Trading House issuing a convertible note to HML for no cash consideration with a face value of $12 million and a coupon of 4.1%pa, secured over JB Trading House.

JBFG's offer was subject to certain conditions being satisfied by 30 September 2018, including the requirement to obtain an independent expert's report (IER) and HML shareholder approval. The IER was obtained with the expert concluding that the proposed transaction was both fair and reasonable to non-associated shareholders of HML. The meeting material has been lodged with ASX.

Proposed exclusive trading and convertible note arrangement
On 30 June 2018, JB Trading House entered into transaction documentation with BHD pursuant to which:
- BHD committed to an exclusive trading arrangement with JB Trading House subsidiaries for a period of five years;
- JB Trading House would issue a convertible note to BHD for no cash consideration with a face value of $13.5 million and a coupon of 4.1%pa, secured over JB Trading House.

ASX subsequently required BHD to obtain shareholder approval for the transaction. An IER was obtained with the expert concluding that the proposed transaction was both fair and reasonable to non-associated shareholders of BHD. The meeting material has been lodged with ASX.

Note 46. Events after the reporting period (continued)

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

Note 47. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	2018	**2017**
	$	**$**
Profit/(loss) after income tax (expense)/benefit for the year	(16,672,668)	4,424,050
Adjustments for:		
Depreciation and amortisation	1,924,809	379,360
Write off of intangibles	4,853,781	-
Net loss on disposal of non-current assets	11,204	-
Net fair value loss/(gain) on available-for-sale financial assets	2,899,298	(3,007,055)
Impairment expense	2,778,549	-
Income tax expense	(5,015,505)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	6,511,785	(8,617,614)
Increase in balances held with brokers	(3,414,108)	(48,039)
Decrease in inventory	2,528	-
Decrease in deferred tax assets	-	6,618
Increase in prepayments	(143,673)	(1,036,607)
Decrease in financial assets at fair value	95,440	(4,374,374)
Increase in trade and other payables	10,587,238	9,401,120
Increase in provisions	(1,462,667)	1,379,379
Effects of foreign exchange	-	392
Net cash from/(used in) operating activities	2,956,011	(1,492,770)

John Bridgeman Limited
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 Group'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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

Stuart McAuliffe, Managing Director
19 October 2018

Independent Auditor's Report

To the shareholders of John Bridgeman Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 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.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt on the Group's assessment of going concern. This included:

- analysing the cash flow projections by:
  - evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices; and
  - assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results and our understanding of the business, industry and economic conditions;
- assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing. We used our knowledge of the Group, its industry and financial position to assess the level of associated uncertainty; and
- evaluating the Group's going concern disclosures in the Financial Report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions and accounting standard requirements. We specifically focused on the principal matters giving rise to the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the ***Key Audit Matters***:

- Carrying value of goodwill;
- Related party transactions;
- Management and performance fee revenue;
- Valuation of investment in Henry Morgan Limited; and
- Recoverability of deferred tax assets for tax losses.

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

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

Carrying value of goodwill ($40,107,865)

Refer to Note 22 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Goodwill has been recognised by the Group on consolidation of JB Financial Group Limited (JBFG). JBFG is a controlled entity of the Group which acquired a number of entities during the year ended 30 June 2018. The assessment of the carrying value of goodwill is considered a key audit matter due to the subjectivity of forward-looking assumptions applied by the Group in the fair value less cost of disposal impairment models and the significance of goodwill to the financial position of the Group. We focused on the significant forward-looking assumptions applied by the Group in their fair value less costs of disposal models, including:	Working with our valuation specialists, our procedures included: • evaluating the fair value less costs of disposal method applied by the Group to perform the annual goodwill impairment test against the requirements of the accounting standards; • assessing the integrity of the fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas; • considering the Group's determination of their CGUs based on our understanding of the Group's business with a focus on newly acquired entities during the year and how

• Forecast earnings before interest, tax, depreciation, and amortisation (EBITDA) – the Group has experienced significant growth in operating activities and related integration costs as a result of acquisitions made during the financial years ended 30 June 2017 and 30 June 2018. The Group has not met prior forecasts, raising our concern over the reliability of current forecasts used in the impairment models. These conditions increase the risk of inaccurate forecasts and a wider range of possible outcomes, which may lead to the possibility of goodwill being impaired. • Earnings multiples – these are judgemental in nature and vary according to the conditions and environment the specific CGU is subject to from time to time. The Group made several acquisitions during the year necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows and the allocation of goodwill to the CGUs to which they belong based on the management and monitoring of the business. The Group uses complex models to perform their annual testing of goodwill for impairment. Complex modelling, using forward looking assumptions, tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. In assessing this key audit matter, we involved senior audit team members and valuation specialists who understand the Group's business, industry and the economic environment in which it operates.	independent cash inflows were generated, against the requirements of the accounting standards; • comparing the forecast EBITDA contained in the models to the Group's forecasts. We challenged the Group's significant forecast EBITDA assumptions through comparing key events to the Group's business plan and strategy and applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; • considering the sensitivity of the models by varying key inputs and estimates in the forecast operating EBITDA, within a reasonably possible range, to identify the risk of impairment, informing our procedures and to identify bias; • comparing the implied earnings multiples from comparable market transactions to the implied earnings multiples from the Group's fair value less costs of disposal models; • assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Related party transactions	
Refer to Note 42 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Related party transactions is a key audit matter due to: • the complex nature of Group's structure which comprises multiple entities with differing levels of ownership interests, including direct and indirect ownership interests; • the significant nature of arrangements between related entities in the Group including trading facilitation agreements, investment management agreements and other intercompany loans and advances; and • the quantum of related party transactions relative to the Group's financial position and performance; These conditions result in related party transactions being inherently prone to error by the Group. They required increased audit effort and scepticism to identify them, assess the appropriateness of accounting, and completeness of disclosures of them against the requirements of the *Australian Accounting Standards*. We involved our technical accounting specialists in assessing this key audit matter.	Our procedures included: • reading a sample of contracts, agreements and other relevant documentation to understand the nature, terms and conditions of related party transactions and arrangements; • reading minutes of meetings of management and those charged with governance, key contracts and agreements, along with other relevant documents to identify further related party transactions; • working with our technical accounting specialists, evaluating the accounting treatment for a sample of complex related party transactions using the key terms from the underlying contractual agreements against the requirements of *Australian Accounting Standards*; • assessing the adequacy of the Group's related party disclosures against *Australian Accounting Standards* and our understanding of related party transactions and arrangements.

Management and performance fee revenue ($2,615,574)	
Refer to Note 5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Management and performance fees are calculated based on a percentage of the net tangible assets (NTA) of listed investment companies managed by the Company: Henry Morgan Limited and Benjamin Hornigold Limited, related parties of the Company. The basis for calculation of the fees are defined in Investment Management Agreements. Management and performance fee revenue is a key audit matter due to the audit effort applied, in particular assessing evidence available regarding the Company's determination and use of the value of net tangible assets in the management and performance fee calculations. We focused on those related to unlisted and illiquid investments given the risk of bias impacting the judgements applied by the Group.	Our procedures included: • Checking the basis of management and performance fees to the Investment Management Agreements, the Prospectus and disclosure in the financial statements; • Checking the consistency of net tangible assets determination across months; • With the assistance of our valuation specialist, assessing the valuation of investments held by the listed investment companies used in the Company's estimation of the NTA, specifically focusing on unlisted and illiquid investments.

These conditions necessitate additional scrutiny by us.	This included: o assessing the valuation methodologies applied, integrity of valuation models used, including the accuracy of underlying data and assumptions, to our knowledge of valuation approaches, and for signs of bias in applying judgement to the input assumptions; o comparing the implied earnings and revenue multiples from comparable market transactions to the implied multiples from the Company's valuation of investments; o assessing the accuracy of the Company's forecast cash flows expected to be derived from investments by comparing previous forecasts to actuals; o comparing the forecast earnings contained in the valuation models to the investees' management forecasts and examining the forecast earnings based on our understanding of the business and the economic environment it operates in.

Valuation of investment in Henry Morgan Limited ($3,544,893)	
Refer to Note 20 and Note 38 in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment in related party, Henry Morgan Limited is a key audit matter due to: • The nature of the investment and judgement associated with valuing it. Henry Morgan Limited has been suspended from trading since June 2017. As a consequence, the Group has applied significant judgements in determining the fair value given a quoted market price was not available at year end. • The complexity of valuation models and techniques applied in estimating the fair value of the underlying investments held by Henry Morgan Limited, particularly where the valuation of underlying investments were not observable in the market. This necessitated additional audit focus on the suitability and consistency with generally accepted valuation principles. The Group uses fair value models and we focused on their key inputs and assumptions including:	Our procedures included: • working with our valuation specialists, we used our knowledge of Henry Morgan Limited and its underlying businesses, to assess the Group's valuation, including significant judgements and assumptions. This included: - assessing the valuation methodology applied against the requirements of the accounting standards and industry practice; - assessing the integrity of the valuation model used, including the accuracy of the underlying data; - comparing the implied earnings and revenue multiples from a range of comparable market transactions to the implied multiples used in the Group's valuations;

o forecast earnings including growth rate assumptions; and o implied earnings and revenue multiples. The models used are largely manually developed, using internal sources as inputs to the assumptions. Prior forecasts have not been met, raising our concern for reliability of current forecasts. Complex modelling, particularly those unobservable inputs based on continued expansion of the underlying businesses of Henry Morgan Limited, tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us. In assessing this Key Audit Matter, we involved senior audit team members and our valuation specialists, who understand the Group's investment profile and business and the economic environment it operates in.	- challenging the forecast earnings including growth rate assumptions contained in the valuation models of Henry Morgan Limited through comparing key events to the Group's business plan and strategy. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We used our knowledge of Henry Morgan Limited, their past performance, business and customers, and our industry experience; - assessing the accuracy of the forecasting by comparing previous forecasts to actual results; • assessing quantitative and qualitative disclosures including those relevant to the fair value hierarchy, against the requirements of the accounting standards.

Recoverability of deferred tax assets ($7,856,841) for tax losses ($3,742,938)

Refer to Note 13 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The recoverability of Deferred Tax Assets (DTA) relating to historical tax losses is dependent on the ability of the Group to generate sufficient taxable income in the future, to which the historical tax losses can be applied. This is a key audit matter due to: • the high level of judgement required by us in evaluating the Group's assessment of the probability sufficient taxable income will be generated in the future, particularly given the Group has not met prior year forecasts, thus increasing our level of scepticism that future forecasts will be achieved; and • the judgement required by us in evaluating the Group's interpretation of tax legislation. These factors increase the risk associated with accurately forecasting future taxable income and create complexity in our work on the recoverability of the DTA. We involved our tax specialists and senior audit team members in assessing this key audit matter.	Our procedures included: • comparing the forecasts included in the Group's estimate of future taxable income used in the DTA recoverability assessment, to those used in the Group's assessment of going concern for consistency. We evaluated the relevance of forecast taxable income to forecast cash flows, including the tax timing differences against the applicable tax legislation; • comparing taxable income to historical trends and performance to inform our evaluation of the current taxable income forecasts; • working with our tax specialists to assess the tax loss utilisation within the Group structure against legislative requirements; • We focused on forecasted taxable income longer into the future given the risk of inaccurate forecasting. We used our knowledge of the business and its plans to perform this assessment. We placed increased scepticism where there was a longer timeframe of expected recovery.

KPMG

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; 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/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of John Bridgeman Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in *pages 7 to 11* of the Directors' Report for the year ended 30 June 2018.

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
19 October 2018

John Bridgeman Limited
Additional information
30 June 2018

The shareholder information set out below was applicable as at 30 September 2018.

Holdings - Shares, Options and Convertible Notes

Distribution of equitable securities
Category (size of holding):

	Number of ordinary shares	Number of ordinary share options	Convertible notes
1 to 1,000	3	1	-
1,001 to 5,000	178	175	-
5,001 to 10,000	33	21	-
10,001 to 100,000	73	31	1
100,001 and over	32	42	2
	319	270	3
Holding less than a marketable parcel	-	-	-

Equity security holders

10 Largest Shareholders - Ordinary shares

Name	Number of Ordinary Shares Held	% Held of Ordinary Shares
John Hawkins Pty Ltd	5,000,000	20.52%
Stuart Capital Pty Ltd (Stuart Investment A/C)	4,109,838	16.87%
Wellington Capital Limited (Wellington Investment Fund)	2,950,269	12.11%
Jan Holmes Pty Ltd (Jan Holmes Super Fund)	1,600,000	6.57%
Mrs Christine Normile	889,000	3.65%
Henry Avery Partners Pty Ltd	549,000	2.25%
Tetue Pty Ltd (John & Barbara McAuliffe Retirement Fund)	445,430	1.83%
Mr Peter Aardoom & Mrs Carolyn Aardoom (Aardoom Super Fund)	400,000	1.64%
Elders FMC Pty Ltd	373,086	1.53%
Mr John McAuliffe	356,570	1.46%
	16,673,193	

10 Largest Shareholders - Ordinary share options

Name	Number of Ordinary Share Options	% Held of Ordinary Share Options
John Hawkins Pty Ltd	5,000,000	20.67%
Henry Avery Partners	3,629,000	15.00%
Stuart Capital Pty Ltd (Stuart Investment A/C)	2,270,000	9.39%
Jan Homes Pty Ltd (Jan Holmes Super Fund)	1,600,000	6.62%
Tetue Pty Ltd	1,042,000	4.31%
Mr Simon Richardson	1,040,000	4.30%
Taxonomy Pty Ltd	1,040,000	4.30%
Wellington Capital Limited (Wellington Investment Fund)	1,016,300	4.20%
Mrs Christine Normile	950,000	3.93%
Wonate Pty Ltd	932,500	3.86%
	18,519,800	

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
The names of the substantial shareholders listed in the Company's register are:

Shareholder:	Number Ordinary Shares
John Hawkins Pty Ltd	5,550,000
Jarrad Robert Stuart (Stuart Investment A/C)	4,109,838
Stuart McAuliffe	5,598,000
Henry Avery Partners	5,550,000
Jan Holmes	1,730,289

All holders - Convertible Notes

Name	Number of convertible notes	% Held of convertible notes
Dynasty Peak Pty Ltd (The Avoca Super Fund)	1,265,830	56.82%
Stuart Capital Pty Ltd (Stuart Investment A/C)	949,370	42.61%
Garry Michael Edwards	12,650	0.57%
	2,227,850	

4 year summary of performance

	2018 $	2017 $	2016 $	2015 $
Revenue	54,003,551	17,043,922	8,230	-
Other incomes/(losses)	(2,737,440)	4,076,257	(194,397)	-
Net profit before income tax	(21,688,173)	6,355,491	(1,276,317)	(212,595)
Profit/(Loss) after income tax	(16,672,668)	4,424,050	(930,922)	(212,595)
Total assets	95,089,372	79,709,054	10,585,094	7,400
Total liabilities	45,417,076	23,236,304	155,583	-
Total equity	49,672,296	56,472,750	10,429,511	7,400

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

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

Registers of securities are held at the following addresses:

Queensland - Link Market Services, Level 21, 10 Eagle Street, Brisbane, QlD, 4000.

Stock Exchange Listing

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

Voting rights

The voting rights attached to each class of equity are set out below:

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

Ordinary share options
These options have no voting rights.

Convertible notes
These convertible notes have no voting rights.

There are no other classes of equity securities.