

Dear Mr. Mischewski,

6 May 2019

John Bridgeman Limited (The “Company” or “JBL”)

John Bridgeman Limited
Attn: Kevin Mischewski
Level 9, 123 Eagle Street
Brisbane, QLD, 4000
Australia

General Disclosure Query

The National Stock Exchange of Australia (NSX) refers to the Suspension status of the Company's securities from the Official Quotation and the ongoing queries with the Company.

Financial Reporting Information

NSX notes the following information that is publicly available.

Via email:
kmischewski@johnbridgeman.
com.au

- John Bridgeman Limited's Annual Report¹ for the year end 30 June 2016 states:
 - Page 5/54 - *On 22 April 2016 the Company incorporated a new subsidiary by subscribing \$1,000,000 for 100% of the issue share capital of Bartholomew Roberts Limited (BRL) (an unlisted investment Company)*
- Bartholomew Roberts Limited's Annual Report 22 April 2016 to 30 June 2017 states:
 - Operating Results (page 3/31)
The net profit after tax for the Company amounted to \$18,109,226, including net gain on financial instruments of \$31,291,144 of which \$16,080,285 was unrealised, and management and performance fee expense of \$6,718,843. The tax expense associated with the profit was \$7,936,600.

During the Period the Company's investment in JB Financial Group (JBFG) required revaluation of carrying value to reflect changes in its fair value. The investment was revalued by \$16,080,285 from the cost of \$32,706,983 to fair value of \$48,787,268
 - Review of operations (page 3/31)
The Company commenced operations in April 2016 with \$1,000,000 in share capital. The investment portfolio benefited from increases in fair value assets in which the Company has invested. The period ended 30 June 2017 was the Company's first in operation.
 - Changes in Equity (page 4/31)
During the period, the Company issued a total of 3,016,212 shares and 1,000,000 options as follows;
 - *the Company issued 788,596 shares to the Investment Manager consisting of 147,417 shares at \$1.00, 100,000 shares at \$4.00, 214,444 shares at \$9.00 per share and 326,735 shares at \$9.90 per share.*
 - *The Investment Manager held 44.53% of the issued shares in the Company at 30 June 2017 and included the Company in its financial statements.*
 - *the Company issued a further 2,227,616 to other investors consisting of 1,930,000 shares at \$1.00, 55,556 shares at \$9.00, and 242,060 shares at \$9.90 per share. These included 1,497,616 shares issued to Henry Morgan Limited which held 37.29% of the issued shares in the Company at 30 June 2017.*
 - Significant movements in investments (page 4/31)
The Company undertook the following significant investment transactions during the period:
 - *on 21 June 2016 the Company was an initial investor in Risk and Security Management Ltd (R&S) holding 1,800,000 shares (60%) at cost of \$1,800,000. During the period the Company increased its holding to 10,511,113 shares, increasing its total cost to \$12,530,837. On 5 June 2017 the Company exchanged all of its shares in R&S for consideration consisting*

¹ <https://www.nsx.com.au/ftp/news/021731979.PDF>

of 4,027,844 shares in JB Financial Group Ltd valued at \$24,730,962, recording a gain on disposal of \$12,200,125.

- following the above share exchange the Company's investment in JBFG consisted of 8,845,071 shares at cost of \$32,706,983. As noted under Operating Results above, the Company subsequently revalued its shareholding in JBFG from \$32,706,983 to \$48,787,268 recording an unrealised gain of \$16,080,285.

- Other related party transactions (page 26/31)

Upon incorporation on 22 April 2016 and during the period the Company issued a total of 1,788,596 fully paid ordinary shares to the Investment Manager for \$6,712,094 including 1,147,417 at \$1.00, 100,000 at \$4.00, 214,444 at \$9.00 and 326,735 at \$9.90.

On 8 July 2016 the Company loaned \$900,000 to Mr Bryan Cook, a Director of Risk & Security Management, in which the Company had invested. The loan was secured against 600,000 of Mr Cook's shares in R&S. On 1 March 2017 the Company accepted Mr Cook's 600,000 shares in R&S valued at \$600,000 as settlement of the loan plus accrued interest. A loss of \$334,311 was recognised on the transaction.

On 11 May 2017, the Company sold its 24% investment in Advance Group Holdings Pty Ltd (AGH) and received consideration in the form of 1,836,113 shares in R&S valued at \$3,855,837. The Company recorded a gain of \$2,855,837 on the transaction.

On 5 June 2017, the Company sold its 62% interest in R&S and received consideration in the form of 4,027,844 shares in JB Financial Group Ltd (JBFG) valued at \$24,730,962, recording a gain of \$12,200,125. At 30 June 2017 the Company had an investment of approximately 35% in JBFG.

- Henry Morgan Limited's Annual Report² for the year end 30 June 2017 states:

- Operating Results (page 5/43)

The net profit after tax for the Company amounted to \$21,146,553 (2016: \$1,240,815), included in the net profit after tax is a net realised and unrealised gain on financial instruments of \$40,988,755 (2016: \$2,531,486); management and performance fees paid of \$8,595,891 (2016: nil) and commissions paid of \$1,402,433 (2016: \$347,161). The income tax expense associated with the net profit derived was \$9,015,160 (2016: \$531,778).

During the year, investments were made in unquoted securities of two companies. Revaluation of the carrying value of these investments, to reflect changes in the fair value of these assets, contributed \$33,224,164 to the net gain on financial instruments.

The Company's investment in JB Financial Group Ltd ("JBFG") (formerly JB Broking Pty Ltd), was revalued by \$23,210,014 from its acquisition cost of \$6,300,106 to its fair value of \$29,510,120. The Company's investment in Bartholomew Roberts Ltd ("BRL") was revalued by \$10,014,150 from its acquisition cost of \$4,099,998 to its fair value of \$14,114,148.

John Bridgeman Limited's relationship with JB Financial Group

NSX notes the following in relation to the Company's relationship with JB Financial Group according to the responses provided by the Company on various dates:

- In the response dated 12 April 2019³
 - while consolidated, JB Financial Group is an independent entity to JBL, in which JBL has a shareholding only. Accordingly, the financial position of JB Financial Group does not directly

² <https://www.asx.com.au/asxpdf/20171030/pdf/43nqnbcp665v7.pdf>

³ <https://www.nsx.com.au/ftp/news/021736769.PDF>

impact on the solvency or position of JBL as a going concern. JBL has not given any guarantees or security in relation to the performance of JB Financial Group.

- *They are consolidated into the accounts of the Company by virtue of accounting standards, which apply a different definition to the term 'subsidiary'. For the purposes of the Corporations Act, the only subsidiaries of the Company are Bartholomew Roberts Pty Ltd, and its wholly owned subsidiaries, Birdzz Pty Ltd and JR Restaurants Australia Pty Ltd. John Bridgeman Limited has delegated authority under its investment management agreement with Bartholomew Roberts Pty Ltd and is responsible for the investment decisions of that entity. The Boards of Bartholomew Roberts Pty Ltd, Birdzz Pty Ltd and JR Restaurants Australia Pty Ltd each retain primary responsibility for the financial and operating policies of those entities. The Company is not responsible for the investment and management decisions of JB Financial Group Pty Ltd or its subsidiaries.*

The Company is not responsible for investment and management decisions of JB Financial Group Pty Ltd or its subsidiaries.

- In the response dated 17 April 2019⁴

- *The Company prepared audited, company-only accounts from incorporation until the financial year ending 30 June 2016. At this time, the Company, together with its then auditors KPMG, determined that it was appropriate to include JB Financial Group in the consolidated financial statements of the Company in order to properly comply with the requirements of accounting standards, despite the fact that, for the purposes of the Corporations Act 2001 (Cth), the Company did not (and does not) control JB Financial Group.*
- *The Company considers that it has 'control' (for the purposes of the accounting standards only) of JB Financial Group and accordingly is required to prepare consolidated financial statements in accordance with AASB10 Consolidated Financial Statements including for the following reasons*
 - a) *The Company's 'Significant Influence' (as that term is defined in AASB128) over JB Financial Group gives the Company the current ability to direct the activities that significantly affect JB Financial Group's returns;*
 - b) *the Company has exposure to variable returns from its involvement with JB Financial Group arising from the valuation of its investment in JB Financial Group through its direct and indirect investment in JB Financial Group; and*
 - c) *the Company, as investment manager for Henry Morgan Limited (HML), receives management and performance fees from HML which are affected by the valuation of HML's investment in JB Financial Group.*
- *The Company does not currently provide funding for operations to JB Financial Group.*

The Company has one outstanding loan to a JB Financial Group subsidiary. The Company has advanced \$378,435.16 to Capital Credit Pty Ltd, maturing in March 2020. This loan is considered recoverable at maturity.

Consequently, the financial position of JB Financial Group does not directly impact on the solvency or position of the Company as a going concern.

- In the response dated 24 April 2019⁵

- *The Company controls 40.5% of the voting power in JB Financial Group, 7.64% through its direct investment and 32.86% exercised via the Company's control of Bartholomew Roberts Pty Ltd. This gives the Company the Power to direct activities that affects JB Financial Group's returns*

⁴ <https://www.nsx.com.au/ftp/news/021736785.PDF>

⁵ <https://www.nsx.com.au/ftp/news/021736808.PDF>

- In the response dated 29 April 2019⁶
 - *The price of shares issued by JB Financial Group Pty Ltd from time to time were determined by JB Financial Group Pty Ltd on the basis of its internal management valuations.*
 - *John Bridgeman Limited was appointed investment manager for Bartholomew Roberts Pty Ltd in June 2016. John Bridgeman Limited has acted in accordance with its investment management agreement to identify appropriate investment opportunities for Bartholomew Roberts Pty Ltd*

These investment opportunities have included participation in share issues by JB Financial Group in July and December 2016
 - *John Bridgeman Limited was appointed investment manager for Henry Morgan Limited in June 2015. John Bridgeman Limited has acted in accordance with its investment management agreement to identify appropriate investment opportunities for Bartholomew Roberts Pty Ltd*

These investment opportunities have included participation in share issues by JB Financial Group in August and December 2016.

Directorships for period 30 June 2016- 30 June 2017

NSX notes the following:

John Bridgeman Limited	JB Financial Group Pty Ltd	Henry Morgan Limited	Bartholomew Roberts Pty Ltd
Stuart McAuliffe Appointed- 08/01/2015	Michael Martin Appointed- 11/07/2016	Stuart McAuliffe Appointment- 26/09/2014	Stuart McAuliffe Appointed 22/04/2016
John McAuliffe Appointed- 13/03/2015	Peter Aardoom Appointed -11/07/2016	John McAuliffe Appointment- 21/10/2015	John McAuliffe Appointed 22/04/2016
Ross Patane Appointed- 15/06/2015	Jarrad Stuart* Appointed 11/07/16- Resigned 15/12/16	Ross Patane Reappointed- 31/03/2016	Ross Patane Appointed 22/04/2016
	Stuart McAuliffe Appointed 15/12/16 Resigned 21/02/18		Bryan Cook Appointed 13/06/2016 Resigned 7/09/2017

* Jarrad Stuart is a major shareholder of John Bridgeman Limited

Questions

Noting the significant increase in issue price per share of JB Financial Group Pty Ltd from \$1 in July 2016 to over \$26,000 (\$26,805 per share to Bartholomew Roberts and \$26,595 per share to Henry Morgan Limited) in December 2016, please respond to the following:

- 1) As Investment Manager for Henry Morgan Limited and Bartholomew Roberts Pty Ltd, please provide details on what actions or due diligence was undertaken by the Company prior to any investment decision being made relating to the investments in JB Financial Group Pty Ltd. Further, on what grounds did the Company believe that these investments qualified as appropriate investment opportunities?
- 2) How did the Company satisfy itself that the increase in share price of JB Financial Group Pty Ltd between July 2016 and December 2016 was justified?

⁶ <https://www.nsx.com.au/ftp/news/021736828.PDF>

- 3) Which individuals did the Company, in its role as Investment Manager, interact with at JB Financial Group to facilitate the investments in December 2016?
- 4) As Investment Manager please provide a copy of the Company's internal valuation of JB Financial Group from July 2016 to present.
- 5) In the Company's view, has the increase in the valuation of JB Financial Group Pty Ltd shares in 2016 resulted in unrealised gains recognised by Henry Morgan Limited and Bartholomew Roberts Pty Ltd?
- 6) Does the Company consider that the increased value of JB Financial Group Pty Ltd securities resulted in the Company receiving increased performance and management fees from Bartholomew Roberts Pty Limited and Henry Morgan Limited for its services provided as Investment Manager?
- 7) Please provide a list of other potential alternative investment opportunities that were considered by the Company at the time that the Company, as Investment Manager for Henry Morgan Limited and Bartholomew Roberts Pty Ltd, decided to invest in JB Financial Group Pty Ltd (on or around December 2016).

Your response should be provided no later than 4pm AEST on 8 May 2019. Your response will be released to the market with this letter. If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Yours sincerely

Ron Kaushik
Senior Manager – Market Surveillance