

Dear Mr. Mischewski,

15 April 2019

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

Financial Disclosure Query

The National Stock Exchange of Australia (NSX) refers to the following comments and responses noted in the Company’s Response to the General Disclosure Query and the Financial Disclosure Query¹:

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

Via email:
kmischewski@johnbridgeman.
com.au

1. The Company stated *“The financial accounts of the Company are prepared on a consolidated basis because of the requirements of the accounting standards”*. Please provide details of the requirements within the accounting standards under which these financial accounts are consolidated.

At the outset, the Company believes it is important to clarify that most of the companies listed as ‘Subsidiaries’ in the NSX letter dated 9 April 2019, are not subsidiaries for the purposes of the Corporations Act 2001 (Cth). They are consolidated into the accounts of the Company by virtue of the accounting standards, which apply a different definition to the term ‘subsidiary’ and ‘related party’. 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.

The financial accounts of the Company are prepared on a consolidated basis because of the requirements of the accounting standards.

As was noted by the independent expert in relation to ‘Going concern risks’ (as referenced in NSX’s letter of 11 April 2019), JBL on a stand-alone basis has no external debt, limited fixed costs and/or capital requirements. It is important to be clear that, 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 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.

2. Henry Morgan Limited’s Fourth Supplementary Target statement² lodged on 8 April 2019, states on page 3 of 5: *“JBL’s investment in JB Financial Group constitutes approximately 40% of JBL’s Investment Portfolio.”*
The Company has stated *“the financial position of JB Financial Group does not directly impact on the solvency or position of JBL as a going concern.”*
Please provide further explanation as to why the Company believes the financial position of JB Financial Group does not directly impact on the solvency or position of JBL as a going concern given JBL’s investment in JB Financial Group.
3. Leadenhall’s Independent Expert Report in Henry Morgan Limited’s Third Supplementary Target statement³ states on page 23 of 42: *“As JBL already has effective control of JBFG, the principal asset of HML, we do not consider that any changes to JBL’s relevant interest in HML will have any significant impact on the value of JBFG within Enlarged JBL.”* Please explain the extent of the ‘effective control’ referred to by the Independent Expert.

¹ <https://www.nsx.com.au/ftp/news/021736769.PDF>

² <https://www.asx.com.au/asxpdf/20190408/pdf/4444lm0pqffqz0.pdf>

³ <https://www.asx.com.au/asxpdf/20190329/pdf/443x7x0xkqn6dw.pdf>

4. Please provide details of the cost savings that have been realised given the implementation of the following steps since 30 June 2018 to ensure solvency of the Company, noted in the Company's response⁴.

b. What steps has the Company taken since 30 June 2018 to ensure the solvency of the Company?

It is important to understand that the reference to 'Material uncertainty as to going concern' in the Company's 2018 Half Year Financial Report is entirely different to any questions regarding the solvency of a company.

Auditing Standard ASA570 Going Concern sets out the steps an auditor must follow in determining the type of audit opinion to reach. In any particular case, an auditor may arrive at one of a range of different opinions. In the Company's case, its auditors have never provided a qualified or adverse opinion. Rather, the auditors have provided an unmodified opinion which included a section on material uncertainty – this conclusion can only be made by the auditor if there is sufficient appropriate audit evidence to enable the auditor to conclude that the going concern basis of accounting is appropriate, and management has provided appropriate disclosure.

In any event, as noted above, the Company has implemented the following steps since 30 June 2018 to strengthen the financial position of the Company:

- (i) implementation of redundancies;
- (ii) reductions in operational and infrastructure costs and outgoings;
- (iii) reduced external services fees;
- (iv) increased cost efficiencies;
- (v) contractor scale discounts;
- (vi) restructuring and associated measures.

5. In relation to the continuation of the Company and the Group as a going concern, the Company has responded with the below steps that have been undertaken to resolve any material uncertainty. Please provide a detailed breakdown of the cost savings that resulted from the following steps undertaken to achieve the objectives.

c. What steps have been taken by the Company since the response to the Periodic Disclosure Query was provided on 5 November 2018 until now to achieve the objectives mentioned in point 3 above?

The Company has implemented the following steps since 5 November 2018 to achieve the relevant objectives:

- (i) Forecast positive cash flow from operations is being achieved through reduced costs at both the Company level and JB Financial Group level, as well as staff restructuring and redundancies. The Company anticipates that cost efficiencies will continue as further integration occurs. JB Financial Group has also focussed on integration, organic growth and cost efficiencies, resulting in improved cash flow;
- (ii) In relation to the management of capital expenditure, the Company and the consolidated group have focussed on reducing capital expenditure requirements and improving cost efficiencies through integration and synergies associated with IT, personnel and infrastructure;
- (iii) JB Financial Group has established an external debt facility with Partners For Growth; and
- (iv) In regards to the objective of realising surplus assets and sale of existing assets either by float or trade sale, JB Financial Group has restructured its business operations, and is considering the potential float of certain business divisions in the future as those divisions mature. These proposals are, at the date of this document, not certain and

subject to change. However, the Company will provide further relevant information as and when it becomes available.

⁴ <https://www.nsx.com.au/ftp/news/021736769.PDF>

6. In relation to the below response, please provide a list of all Corporate Governance policies and internal controls in place and provide a copy of the most up to date Conflict of Interest policy. Please provide supporting evidence showing the frequency in which these documents are reviewed and when the last review of each policy or document occurred. Can the Company confirm that all historical transactions that have occurred were conducted in accordance with the applicable Corporate Governance policies?

- a. ***Have there been any changes made by the Company to its Corporate Governance policies or internal controls which would be applicable to any future loan(s) between the Company, Henry Morgan Limited, Benjamin Hornigold Limited and/or any of its Subsidiaries? This may include updates to the Management Services Agreements already in place.***

The Company reviews its corporate governance policies and internal controls on a periodic basis. Its Conflicts of Interest Policy requires the Company to identify, assess, monitor and control any potential conflicts of interest. The Company must also comply (and does comply) with the requirements of the NSX Listing Rules, the Corporations Act and any relevant ASIC Regulatory Guides. Any future transactions between the Company, Henry Morgan Limited, Benjamin Hornigold Limited and/or any of the Subsidiaries will also be conducted in accordance with applicable corporate governance policies.

7. In the Company's response to the below query, NSX notes the Company undertook legal analysis - please provide a copy of the legal analysis that the Company stated was undertaken. This will not be released to the market.

- b. ***Did the Company seek legal advice about whether or not receiving loans from Benjamin Hornigold Limited (amount of \$1,134,000) and Henry Morgan Limited (amount of \$2,411,000) on 8 August 20184 were related party transactions requiring shareholder approval under the Corporations Act? Please confirm what actions were taken by the Company to ensure that the loans entered into by the Company were not related party transactions requiring shareholder approval under the Corporations Act?***

The Company undertook a legal analysis of the loan transactions with Benjamin Hornigold Ltd and Henry Morgan Limited, and concluded that the transactions were not related party transactions requiring shareholder approval under the Corporations Act. The Company analysed the terms on which banking and financial institutions would provide similar debt facilities, and concluded that the terms of the loans were commercial, reasonable in the circumstances, and reflected arm's length dealing. Accordingly, shareholder approval under the Corporations Act was not required.

8. In light of the Conflict of Interest policy and steps noted in the Company's response below, please provide the Exchange with all supporting documentation capturing any actual or perceived conflict when discussing/agreeing transactions. The supporting documentation will not be released to the market.

c. How does the Company, when acting in its capacity as an Investment Manager for Henry Morgan Limited and Benjamin Hornigold Limited, manage any conflicts (actual or perceived) that may arise in connection with loans issued between the Company and Henry Morgan Limited and Benjamin Hornigold Limited?

The Company manages any actual or perceived conflicts of interest that may arise in connection with loans issued between the Company and Henry Morgan Limited and Benjamin Hornigold Limited by ensuring that the following procedures are followed when considering any transaction:

- (i) The interests of the Company's directors, including whether they hold shares in, or are directors of, the proposed counterparty, are identified and noted;
- (ii) The Company considers whether, if any such interest exists, such interest should exclude the director from being involved in any discussion on, or participating in any vote in respect of, a proposed transaction, and whether the interest prevents the director from independently assessing the information provided to them;
- (iii) The Company then considers various factors, including:
 - a. the terms of the proposed transaction;
 - b. whether the terms are extraordinary or excessively generous to either party;
 - c. whether such terms are commercial and reasonable in the circumstances if the parties were unrelated in any way;
 - d. the benefit the proposed transaction provides the Company;
 - e. whether the Board is sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgement as to what was in the Company's interests.

9. Please provide details of how the Company considers it complied with the Takeover Panel's order when the balance interest was paid at the end of the quarter. We note that the response by Benjamin Hornigold Limited to ASX Query Announcement on 29 March 2019⁵ confirmed the Remaining Interest Payable to be \$94,908 and the announcement Confirmation of Payment on 1 April 2019⁶ made on ASX states "*John Bridgeman Limited confirms that the balance interest associated with this amount was paid at the end of the quarter in accordance with the conditions of the agreement.*"

g. Does the Company believe it has complied with the Takeover Panel's order to return the \$4.5 million (including interest) to Benjamin Hornigold Limited within 20 days after the Commencement Date?

Yes. Refer to the Company's announcements dated 7 March and 1 April 2019.

⁵ <https://www.asx.com.au/asxpdf/20190329/pdf/443wnxdrv39ps0.pdf>

⁶ <https://www.asx.com.au/asxpdf/20190401/pdf/443ytzfwfzy93k.pdf>

Your response should be provided no later than 4pm AEST on 18 April 2019. Your response will be released to the market along with a copy of this letter. If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Please be reminded that the Issuer must comply with Chapter 6CA of the Corporations Act and Listing Rules Section IIA 6.4, 6.5 and 6.5A under continuous disclosure.

Yours sincerely,

Ron Kaushik
Senior Manager, Market Surveillance