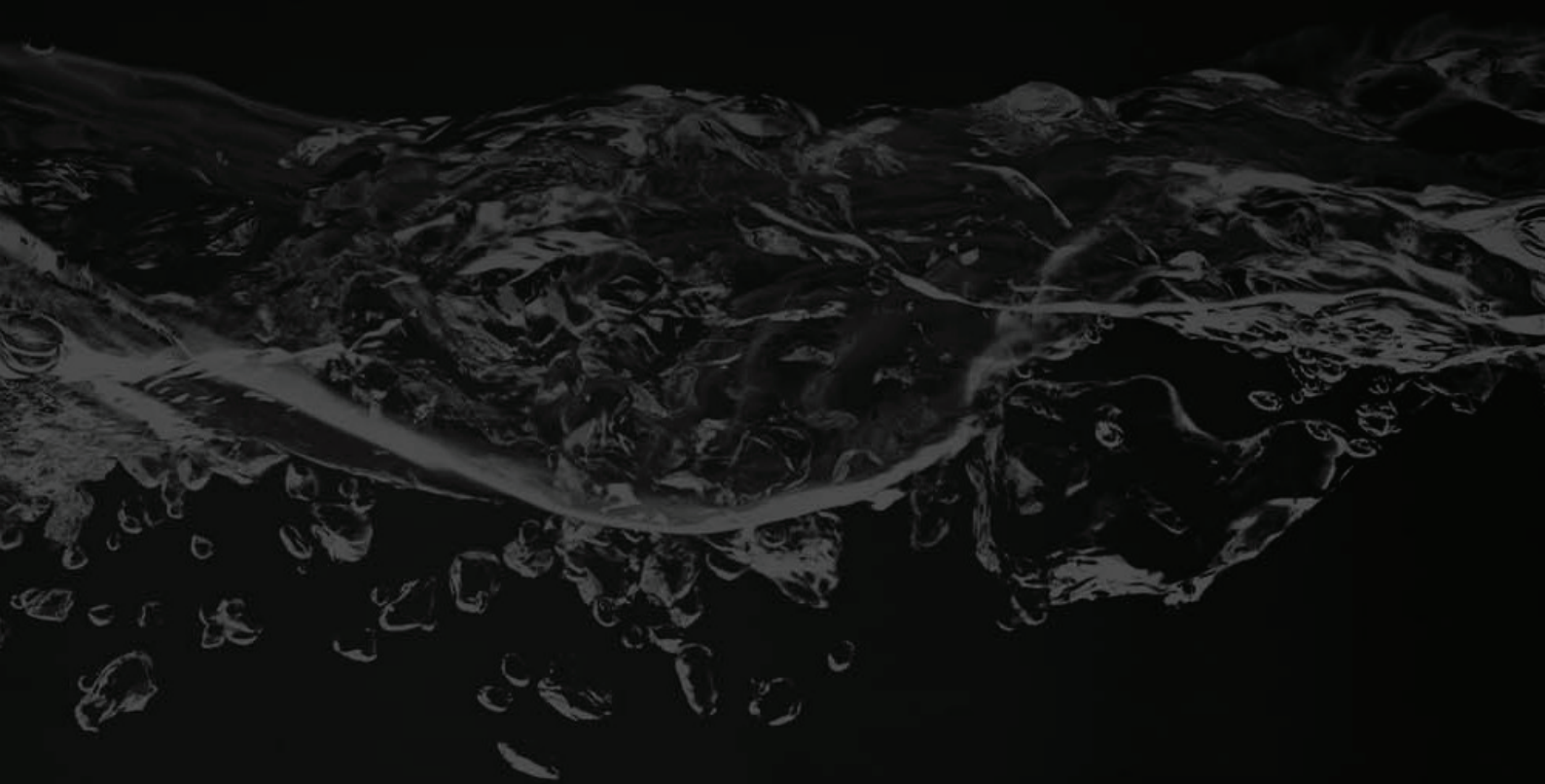




JOHN.BRIDGEMAN



# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

JOHN BRIDGEMAN LIMITED ACN 603 477 185

# John Bridgeman Limited Annual Report 2016

## Chairman's Letter 2016

Dear Shareholder

This Annual Report marks the first year of John Bridgeman Limited's operations as a listed investment manager, and covers the performance of the Company since its admission to the Official List of NSX in August 2015.

John Bridgeman Limited is an investment management company for wholesale funds. During the 2015-2016 financial year, its key client was Henry Morgan Limited, an ASX listed investment company which specialises in multi-strategy investment management with the aim of achieving above average returns over the medium to long term.

In the year ending 30 June 2016, John Bridgeman Limited managed the portfolio of Henry Morgan Limited with investments globally in equities, currencies, bonds and commodities, resulting in Henry Morgan Limited's net asset value (NAV) increasing to \$16,644,610. The portfolio benefitted from exposure to currencies including the Yen and Euro, and by equity exposure in the United Kingdom and China.

John Bridgeman Limited believes that many assets are undervalued globally, as are many currencies given the escalation of the USD over recent years, giving rise to significant opportunities for investment and return. This creates investment opportunities which the company will evaluate and participate in over the 2016-2017 financial year.

The Board believes the long term performance of John Bridgeman Limited will be supported by following a long term philosophy of seeking undervalued assets across all asset classes globally.

During the 2016-2017 financial year, the Board will continue to identify and evaluate opportunities for profitable and strategic investment, and aims to reward shareholders for their investment in the Company through expansion and financial success.

We look forward to your continued investment in John Bridgeman Limited.

**John McAuliffe**

Chairman

**John Bridgeman Limited**

30 September 2016

## John Bridgeman Limited ABN 55 603 477 185

### Financial report for the year ended 30 June 2016

#### DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of the Group comprising of John Bridgeman Limited (the Company) and its subsidiaries for the year ended 30 June 2016 and the auditor's report thereon.

#### General Information

##### Directors

The following persons were directors of John Bridgeman Limited during or since the end of the financial year up to the date of this report:

Stuart McAuliffe – Managing Director

John McAuliffe AM – Chairman and Non-Executive Director

Rosario Patane – Non-Executive Director

Simon Richardson – Executive Director resigned 31 March 2016.

Particulars of each director's experience and qualifications are set out below:

#### Information Relating to Directors and Company Secretary

|                                   |   |   |
|-----------------------------------|---|---|
| <b>Stuart McAuliffe</b>           | – | Managing Director   |
| Qualifications                    | – | BA; MEd; Grad Dip Legal Studies   |
| Experience                        | – | Stuart has over 25 years' experience investing in global equity, bond, currency and commodity markets. Stuart is also an Associate Professor in the Faculty of Society and Design at Bond University. Board member and investment manager since January 2015.   |
| Listed company directorships held | - | Stuart has been a director of Henry Morgan Limited since 26 September 2014.   |
| Interest in Shares and Options    | – | Stuart holds or has interests in entities that hold 5,550,000 ordinary shares and options to acquire a further 8,630,000.   |
| <b>John McAuliffe AM</b>          | – | Chairman  |
| Qualifications                    | – | Life Fellow Australian Property Institute; Chartered Building Professional of the Australian Institute of Building.   |
| Experience                        | – | 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.<br>John was appointed Chair in March 2015 and has been a Board member since that time. |
| Listed company directorships held | - | John has been a director of Henry Morgan Limited since 21 October 2015.   |
| Interest in Shares and Options    | – | John holds or has interests in entities that hold 896,000 ordinary shares and options to acquire a further 1,936,000.   |

## DIRECTORS' REPORT

### Information Relating to Directors and Company Secretary (continued)

|                                   |   |   |
|-----------------------------------|---|---|
| <b>Rosario (Ross) Patane</b>      | – | Non-Executive Director  |
| Qualifications                    | – | BBus, CA, MAICD; FFin   |
| Experience                        | – | Ross is a chartered accountant with in excess of 25 years' experience in providing high level accounting related services. Ross is presently the Queensland Managing Principal of Crowe Horwath, a leading accounting and financial services business. Ross has been a board member since March 2015.   |
| Listed company directorships held | - | Ross has been a director of Henry Morgan Limited since 31 March 2016.   |
| Interest in Shares and Options    | – | Ross holds options to acquire 1,040,000 ordinary shares.  |
| <b>Simon Richardson</b>           | – | Previous Executive Director resigned 31 March 2016  |
| Qualifications                    | – | BEcon; BCom   |
| Experience                        | – | Simon has had over 20 years of diverse national and international business experience. Simon commenced his career at a Big 4 accounting firm 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.   |
| Listed company directorships held | - | Simon was a director of Henry Morgan Limited until 31 March 2016.   |
| Interest in Shares and Options    | – | Simon holds options to acquire 1,040,000 ordinary shares.   |
| <b>Jody Wright</b>                | – | Company Secretary since 14 July 2016  |
| Qualifications                    | – | LLB   |
| Experience                        | – | Jody 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. |
| <b>Mary-Anne Greaves</b>          | – | Previous Non-Executive Director and Company Secretary resigned 14 July 2016   |
| Qualifications                    | – | LLB; ACIS; AGIA   |
| Experience                        | – | Mary-Anne was Company Secretary between January 2015 and July 2016. She is Executive Director/General Counsel and Company Secretary of Wellington Capital Limited. Mary-Anne has led numerous due diligence assignments and has a strong interest in the area of corporate governance.  |

## DIRECTORS' REPORT

### Dividends Paid or Recommended

No dividends have been paid or recommended since the end of the previous financial year.

### Indemnifying Officers or Auditor

During the year, the Company entered into an agreement to indemnify, and agreed to pay insurance premiums as follow:

- The Company has paid premiums to insure all directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

### Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings since the end of the previous financial year.

### Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2016:

|                                | \$           |
|--------------------------------|--------------|
| Due diligence related services | 5,500        |
|                                | <u>5,500</u> |

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 19 of the financial report.

## DIRECTORS' REPORT

### Options

Details of options issued as at report date are as follows:

| Grant Date       | Date of Expiry | Exercise Price | Number under Option    |
|------------------|----------------|----------------|------------------------|
| 08 January 2015  | 31 March 2020  | \$1.10         | 1,000                  |
| 12 February 2015 | 31 March 2020  | \$1.10         | 7,399,000              |
| 10 March 2015    | 31 March 2020  | \$1.20         | 1,540,000              |
| 10 March 2015    | 31 March 2020  | \$1.50         | 1,540,000              |
| 10 March 2015    | 31 March 2020  | \$2.20         | 2,240,000              |
| 10 March 2015    | 31 March 2020  | \$3.50         | 2,240,000              |
| 06 August 2015   | 31 March 2020  | \$1.10         | 6,042,000              |
| 21 December 2015 | 31 March 2020  | \$1.10         | 2,016,300              |
| 29 April 2016    | 31 March 2020  | \$1.10         | 2,105,000              |
|                  |                |                | <hr/> 25,123,300 <hr/> |

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

Option grant dates are noted above including those issued during or since the end of the year.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During and since the year ended 30 June 2016, there were no options exercised nor cancelled.

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

### Operating and Financial Review

#### Principal Activities

The principal activities of the Group during the year were investing in exchange traded derivatives over the short term, providing investment management services to Henry Morgan Limited since it commenced operations in January 2016 as well as investing in unlisted public companies which form part of the Group as at 30 June 2016. These unlisted public companies are focussing on process serving, surveillance, as well as investigations, background screening and debugging security sweeps within Australia.

As the Group commenced operations during the year, there were no significant changes in the nature of activities during the financial year.

#### Our Business Model and Objectives

We aim to deliver shareholder returns by providing cost efficient, high quality investment management services, exposure to global investment markets and selected private equity investments which allows Board, key management and shareholders' interests to be aligned.

#### Operating Results

For the year ended 30 June 2016, the loss for the consolidated entity after tax amounted to \$930,922. This compared to the loss after tax for the year ended 30 June 2015 of \$212,595. The major contributors to this result were net realised and unrealised investment losses of \$194,397; costs associated with listing the parent Company on the National Stock Exchange of Australia (NSX) of \$165,379; and employment costs of \$283,095. The Group's result also included an income tax benefit of \$345,395.

## DIRECTORS' REPORT

### Review of Operations

On 6 August 2015 John Bridgeman Limited successfully listed on the National Stock Exchange of Australia (NSX). As part of the listing process, the Company raised new equity of \$6,042,000 which resulted in the issue of 6,042,000 \$1 ordinary shares and 6,042,000 ordinary share options on a 1 for 1 basis. These ordinary share options have an exercise price of \$1.10 and expire 31 March 2020.

In total the Company listed with 13,442,000 ordinary shares (of which 7,400,000 are held in escrow for either 12 or 24 months from the date of listing) as well as 21,002,000 ordinary share options (of which 14,960,000 are held in escrow for either 12 or 24 months from the date of listing).

On 17 December 2015 the Company announced it had raised \$2,016,300 in new equity through the placement of 2,016,300 ordinary shares with attaching options (exercise price \$1.10, expiring 31 March 2020) on a 1 for 1 basis to sophisticated and professional investors. These additional securities commenced trading on the NSX on 21 December 2015.

On 29 April 2016 the Company announced it had raised \$2,105,000 in new equity through the placement of 2,105,000 ordinary shares with attaching options (exercise price \$1.10, expiring 31 March 2020) on a 1 for 1 basis to sophisticated and professional investors. These additional securities commenced trading on the NSX on 29 April 2016.

The Group's investments during the year were predominately cash with some limited exposure to global markets. The exposure to global markets and the volatile trading conditions that existed during the majority of this year resulted in a realised investment loss of \$133,648. The global market investments were realised on 18 December 2015 to allow the Group to focus on managing the listing process of Henry Morgan Limited which occurred on 5 February 2016.

The Group commenced investment management services during January 2016. The Board of Directors of the Company has determined that it will not charge a management fee to Henry Morgan Limited (a related company for whom the Company provides investment management services) for the year ended 30 June 2016. If a management fee was charged by the investment manager, net loss after tax would have decreased by \$432,796.

The Directors of the Company intend to charge the management fee from 1 July 2016.

The Company subscribed for and was issued 7,400,000 shares in Henry Morgan Limited on 23 December 2015 at a consideration of \$7,400,000 (\$1 per share) with attaching options on a 1 for 1 basis. On 18 January 2016, 5,800,000 of these shares (with the attaching options) were sold to third party professional and sophisticated investors at \$1 per share. On 5 February 2016, the options attaching to the remaining 1,600,000 shares held by the Company were cancelled. As a result of holding these shares and options the Group incurred a net unrealised investment loss of \$60,750.

On 22 April 2016 the Company incorporated a new subsidiary by subscribing \$1,000,000 for 100% of the issued share capital of Bartholomew Roberts Limited (BRL) (an unlisted public company).

Subsequent to establishment (21 June 2016) BRL subscribed \$1,800,000 for 60% of the issued shares of Risk & Security Management Limited (RSM) (unlisted public company). Also on 21 June 2016 RSM purchased 100% of the share capital of IDS Group Pty Ltd (IDS) for \$450,000. IDS provides investigations, surveillance, background screening as well as debugging security sweeps.

### Events after the year end

On 4 July 2016 the Group acquired an existing business called Trademark Investigation Services for \$600,000. This business provides corporate investigative services.

On 5 July 2016 John Bridgeman Limited ("JBL") provided a loan of \$677,417 to its wholly owned subsidiary Bartholomew Roberts Limited ("BRL"). BRL provided a loan of the same amount to Risk and Strategy Management Limited ("RSM"), a company in which BRL holds 60% of the shares on issue, to fund the acquisition of 100% of the business of Trademark Investigation Services ("TMIS").

## DIRECTORS' REPORT

### Events after the year end (continued)

On 5 July 2016 JBL provided a loan of \$60,000 to RSM, a company in which BRL holds an effective 60% interest, for working capital. On 5 August JBL provided an additional loan to RSM of \$20,025 to pay stamp duty in respect of RSM's acquisition of TIS. These loans were unsecured, interest free and had no fixed term. The initial \$60,000 was repaid on 23 August 2016.

On 8 July 2016 the Group loaned \$900,000 to Mr Bryan Cook. Mr Cook is a Director and shareholder of Risk & Security Management Limited. The loan is secured against 600,000 of Mr Cook's shares in Risk & Security Management Limited. Interest is payable at 6% per annum and the loan is repayable in 12 months from the date the loan was made.

On 1 August 2016 the Group acquired all of the shares in Aliom Pty Ltd for \$150,000 plus an adjustment for cash held in Aliom Pty Ltd (total settlement \$200,423). Aliom Pty Ltd was renamed JB Markets Pty Ltd. JB Markets Pty Ltd provides broking services.

### Future Developments, Prospects and Business Strategies

The Group intends to operate as follows:

- i) Investment management services – the Group will continue operations with mandates to provide investment management services. The first of these mandates will be Aliom Managed Futures Fund No 1, an existing fund for wholesale clients only and currently managed by Stuart McAuliffe (the Managing Director of John Bridgeman Limited). The second of these is Henry Morgan Limited, a public company that is currently listed on the Australian Securities Exchange.
- ii) Investment – the Group will continue to place investments in listed and unlisted companies to achieve targeted outperformance.

### Business Risks

The following exposures to business risk may affect the Group's performance:

- Any fall in global or local equity markets, global or local bond markets or a lack of change in the value of the Australian dollar against other major currencies may discourage investors from moving money in and out of equity markets.
- The investment approach of the Group is based on the experience of the investment manager, research into past data and the application of that research into mathematical models that attempt to forecast risk and returns. There is a risk that the investment management systems may not be profitable and the Group may suffer a loss.

### Environmental Issues

The Group has no direct exposure to environmental regulations.

## DIRECTORS' REPORT

### Meetings of Directors

During the year, 8 meetings of directors were held. Attendances by each Director during the year were as follows:

| Directors' Meetings |                           |                 |
|---------------------|---------------------------|-----------------|
|                     | Number eligible to attend | Number attended |
| Stuart McAuliffe    | 8                         | 8               |
| John McAuliffe      | 8                         | 8               |
| Ross Patane         | 8                         | 8               |
| Simon Richardson    | 6                         | 6               |

### Remuneration Report (audited)

#### Remuneration Policy

This Remuneration Report outlines the remuneration arrangements of John Bridgeman Limited for the year ended 30 June 2016.

The report details the remuneration arrangements for the key management personnel (**KMP**) within the Group. KMP are defined as those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any director.

During the 2016 financial year, the KMP for the Group comprised the directors of the Company, as set out below.

The Remuneration Report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

The remuneration policy of John Bridgeman Limited has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives in the form of options. The Board of John Bridgeman Limited believes the remuneration policy 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 policy is 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 have been granted options over shares.
- All non-executive KMP receive fixed directors' fees and have been granted options.
- Incentives paid in the form of options are intended to align the interests of the KMP and Group with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

## DIRECTORS' REPORT

### Remuneration Report (audited)

#### Remuneration Policy (continued)

The performance of KMP is measured against criteria agreed with each executive. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Executive KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE).

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 fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual 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 once the 12 or 24 month non trade restriction has been lifted. In addition to this, KMP must not deal in the Company's securities when they possess non-public price sensitive information. The fair value of options is measured using the Monte Carlo simulation methodology.

Options granted in Bartholomew Roberts Limited (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. In addition to this, KMP must not deal in the Company's securities when they possess non-public price sensitive information. The fair value of options is measured using the Monte Carlo simulation methodology.

In addition, the Board's remuneration policy prohibits directors and KMP from using John Bridgeman Limited shares as collateral in any financial transaction, including margin loan arrangements.

#### Performance-based remuneration

Options held by KMP were granted in the previous financial year. There are no performance hurdles in relation to these options except for the Company's share price.

#### Relationship between Remuneration Policy and Group Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The method 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.

#### Performance Conditions Linked to Remuneration

There are currently no performance conditions linked to remuneration.

#### Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial period, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

| 2016             | Position Held as at 30 June 2016 and<br>any change during the Period | Contract Details (Duration<br>and Termination) | Proportions of Elements of Remuneration Not Related to |              |       |
|------------------|--|--|--|--------------|-------|
| Current KMP      |  |  | Performance  |              | Total |
|                  |  |  | Options  | Fixed Salary |       |
|                  |  |  | %  | %            |       |
| Stuart McAuliffe | Managing Director  | No fixed term                                  | 52   | 48           | 100   |
| John McAuliffe   | Chairman   | No fixed term                                  | -  | 100          | 100   |
| Ross Patane      | Non-Executive Director   | No fixed term                                  | -  | 100          | 100   |
| Previous KMP     |  |  |  |              |       |
| Simon Richardson | Executive Director   | Resigned 31 March 2016                         | -  | 100          | 100   |

| 2015              | Position Held as at 30 June 2015 and<br>any Change during the Period | Contract Details (Duration<br>and Termination) | Proportions of Elements of Remuneration Not Related to |              |       |
|-------------------|--|--|--|--------------|-------|
| Current KMP       |  |  | Performance  |              | Total |
|                   |  |  | Options  | Fixed Salary |       |
|                   |  |  | %  | %            |       |
| Stuart McAuliffe  | Managing Director  | No fixed term                                  | 100  | -            | 100   |
| Simon Richardson  | Executive Director   | No fixed term                                  | 100  | -            | 100   |
| John McAuliffe    | Chairman   | No fixed term                                  | 100  | -            | 100   |
| Ross Patane       | Non-Executive Director   | No fixed term                                  | 100  | -            | 100   |
| Previous KMP      |  |  |  |              |       |
| Mary-Anne Greaves | Non-Executive Director   | Resigned 13 March 2015                         | -  | 100          | 100   |

## Employment Details of Members of Key Management Personnel (continued)

The employment terms and conditions of all Executive KMP are formalised in contracts of employment.

A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 2 months' notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

## Remuneration Expense Details for the Period Ended 30 June 2016

The following table of benefits and payments represents the components of the current period remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

## Table of Benefits and Payments

| 2016                | Short-term Benefits    |                          |              |       | Post-employment Benefits | Long-term Benefits |     | Equity-settled Share-based Payments |                 | Cash-settled Share-based Payments | Termination Benefits | Total   |
|---------------------|------------------------|--------------------------|--------------|-------|--------------------------|--------------------|-----|-------------------------------------|-----------------|-----------------------------------|----------------------|---------|
|                     | Salary, Fees and Leave | Profit Share and Bonuses | Non-monetary | Other |                          | Other              | LSL | Shares/ Units                       | Options/ Rights |                                   |                      |         |
|                     | \$                     | \$                       | \$           | \$    |                          | \$                 | \$  | \$                                  | \$              |                                   | \$                   | \$      |
| <b>Current KMP</b>  |                        |                          |              |       |                          |                    |     |                                     |                 |                                   |                      |         |
| Stuart McAuliffe    | 96,728                 | -                        | -            | -     | 9,189                    | 7,917              | -   | -                                   | 125,000         | -                                 | -                    | 238,834 |
| John McAuliffe      | 36,834                 | -                        | -            | -     | 3,499                    | -                  | -   | -                                   | -               | -                                 | -                    | 40,333  |
| Ross Patane         | 36,834                 | -                        | -            | -     | 3,499                    | -                  | -   | -                                   | -               | -                                 | -                    | 40,333  |
| <b>Previous KMP</b> |                        |                          |              |       |                          |                    |     |                                     |                 |                                   |                      |         |
| Simon Richardson    | 26,788                 | -                        | -            | -     | 2,545                    | -                  | -   | -                                   | -               | -                                 | -                    | 29,333  |
| <b>Total KMP</b>    | 197,184                | -                        | -            | -     | 18,732                   | 7,917              | -   | -                                   | 125,000         | -                                 | -                    | 348,833 |

| 2015                | Short-term Benefits    |                          |              |       | Post-employment Benefits | Long-term Benefits |     | Equity-settled Share-based Payments |                 | Cash-settled Share-based Payments | Termination Benefits | Total   |
|---------------------|------------------------|--------------------------|--------------|-------|--------------------------|--------------------|-----|-------------------------------------|-----------------|-----------------------------------|----------------------|---------|
|                     | Salary, Fees and Leave | Profit Share and Bonuses | Non-monetary | Other |                          | Other              | LSL | Shares/ Units                       | Options/ Rights |                                   |                      |         |
|                     | \$                     | \$                       | \$           | \$    |                          | \$                 | \$  | \$                                  | \$              |                                   | \$                   | \$      |
| <b>Current KMP</b>  |                        |                          |              |       |                          |                    |     |                                     |                 |                                   |                      |         |
| Stuart McAuliffe    | -                      | -                        | -            | -     | -                        | -                  | -   | -                                   | 93,078          | -                                 | -                    | 93,078  |
| John McAuliffe      | -                      | -                        | -            | -     | -                        | -                  | -   | -                                   | 39,839          | -                                 | -                    | 39,839  |
| Ross Patane         | -                      | -                        | -            | -     | -                        | -                  | -   | -                                   | 39,839          | -                                 | -                    | 39,839  |
| Simon Richardson    | -                      | -                        | -            | -     | -                        | -                  | -   | -                                   | 39,839          | -                                 | -                    | 39,839  |
| <b>Previous KMP</b> |                        |                          |              |       |                          |                    |     |                                     |                 |                                   |                      |         |
| Mary-Anne Greaves   | -                      | -                        | -            | -     | -                        | -                  | -   | -                                   | -               | -                                 | -                    | -       |
| <b>Total KMP</b>    | -                      | -                        | -            | -     | -                        | -                  | -   | -                                   | 212,595         | -                                 | -                    | 212,595 |

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

## Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration to KMP during the period are as follows:

| 2016                | Remuneration Type | Grant Date   | Grant Value \$ | Reason for Grant (Note 1) | Percentage Vested/Paid during Period % (Note 2) | Percentage Forfeited during Period % | Percentage Remaining as Unvested % | Expiry Date for Vesting or Payment | Range of Possible Values Relating to Future Payments |
|---------------------|-------------------|--------------|----------------|---------------------------|---|--------------------------------------|------------------------------------|------------------------------------|--|
| <b>Current KMP</b>  |                   |              |                |                           |   |                                      |                                    |                                    |  |
| Stuart McAuliffe    | Options package   | 21 June 2016 | 125,000        | -                         | 100   | -                                    | -                                  | 22 April 2021                      | -  |
| Ross Patane         | -                 | -            | -              | -                         | -   | -                                    | -                                  | -                                  | -  |
| John McAuliffe      | -                 | -            | -              | -                         | -   | -                                    | -                                  | -                                  | -  |
| <b>Previous KMP</b> |                   |              |                |                           |   |                                      |                                    |                                    |  |
| Simon Richardson    | -                 | -            | -              | -                         | -   | -                                    | -                                  | -                                  | -  |

Note 1 The options have been granted by Bartholomew Roberts Ltd, a wholly owned subsidiary of John Bridgeman Limited, as part of the remuneration of the Managing Director. The options have a strike price of \$1.00 and are exercisable at any time up to the expiry date.

Note 2 The dollar value of the percentage vested/paid during the year has been reflected in the Table of Benefits and Payments.

| 2015                | Remuneration Type | Grant Date    | Grant Value \$ | Reason for Grant (Note 1) | Percentage Vested/Paid during Period % (Note 2) | Percentage Forfeited during Period % | Percentage Remaining as Unvested % | Expiry Date for Vesting or Payment | Range of Possible Values Relating to Future Payments |
|---------------------|-------------------|---------------|----------------|---------------------------|---|--------------------------------------|------------------------------------|------------------------------------|--|
| <b>Current KMP</b>  |                   |               |                |                           |   |                                      |                                    |                                    |  |
| Stuart McAuliffe    | Options package   | 10 March 2015 | 93,078         | A                         | 100   | -                                    | -                                  | 31 March 2020                      | -  |
| Simon Richardson    | Options package   | 10 March 2015 | 39,839         | A                         | 100   | -                                    | -                                  | 31 March 2020                      | -  |
| John McAuliffe      | Options package   | 10 March 2015 | 39,839         | B                         | 100   | -                                    | -                                  | 31 March 2020                      | -  |
| Ross Patane         | Options package   | 10 March 2015 | 39,839         | B                         | 100   | -                                    | -                                  | 31 March 2020                      | -  |
| <b>Previous KMP</b> |                   |               |                |                           |   |                                      |                                    |                                    |  |
| Mary-Anne Greaves   | -                 | -             | -              | -                         | -   | -                                    | -                                  | -                                  | -  |

Note 1 (a) The options have been granted as part of the employment arrangements with the Executive Directors. Options granted have various strike prices ranging between \$1.20 and \$3.50. These options are held in escrow on a voluntary basis for up to 24 months from the date of quotation and this date was 6 August 2015. The options have been issued as an incentive for the Executive Directors to use their best endeavours to ensure the objectives of the KMP and shareholders are aligned.

Note 1 (b) The options have been granted as part of an options package offered to the Chairman and other Non-Executive Director. Options granted have various strike prices ranging between \$1.20 and \$3.50. These options are held in escrow on a voluntary basis for up to 24 months from the date of quotation and this date was 6 August 2015. The options have been issued as an incentive for the Non-Executive Directors to use their best endeavours to ensure the objectives of the KMP and shareholders are aligned.

Note 2 The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All options were issued by John Bridgeman Limited or a wholly owned subsidiary and entitle the holder to one ordinary share in John Bridgeman Limited (or the relevant wholly owned subsidiary) for each option exercised. There have not been any alterations to the terms or conditions of any grants since grant date.

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

## Options and Rights Granted as Remuneration

| 2016                | Balance at Beginning of Period | Grant Details |           |          | Exercised |       | Lapsed |       | Balance at End of Period |
|---------------------|--------------------------------|---------------|-----------|----------|-----------|-------|--------|-------|--------------------------|
|                     |                                | Issue Date    | No.       | Value    | No.       | Value | No.    | Value |                          |
|                     |                                |               |           | \$       |           | \$    |        | \$    |                          |
|                     |                                |               |           | (Note 1) |           |       |        |       | No.                      |
| <b>Current KMP</b>  |                                |               |           |          |           |       |        |       |                          |
| Stuart McAuliffe    | 4,440,000                      | 21 June 2016  | 1,000,000 | 125,000  | -         | -     | -      | -     | 5,440,000                |
| John McAuliffe      | 1,040,000                      | -             | -         | -        | -         | -     | -      | -     | 1,040,000                |
| Ross Patane         | 1,040,000                      | -             | -         | -        | -         | -     | -      | -     | 1,040,000                |
| <b>Previous KMP</b> |                                |               |           |          |           |       |        |       |                          |
| Simon Richardson    | 1,040,000                      | -             | -         | -        | -         | -     | -      | -     | 1,040,000                |
|                     | 7,560,000                      | -             | 1,000,000 | 125,000  | -         | -     | -      | -     | 8,560,000                |

| 2016                | Balance at End of Period | Vested      |               |                        | Unvested |
|---------------------|--------------------------|-------------|---------------|------------------------|----------|
|                     |                          | Exercisable | Unexercisable | Total at End of Period |          |
|                     | No.                      | No.         | No.           | No.                    | No.      |
|                     |                          |             |               |                        |          |
|                     |                          |             | (Note 3)      |                        |          |
| <b>Current KMP</b>  |                          |             |               |                        |          |
| Stuart McAuliffe    | 5,440,000 (Note 2)       | 1,000,000   | 4,440,000     | 5,440,000              | -        |
| John McAuliffe      | 1,040,000                | -           | 1,040,000     | 1,040,000              | -        |
| Ross Patane         | 1,040,000                | -           | 1,040,000     | 1,040,000              | -        |
| <b>Previous KMP</b> |                          |             |               |                        |          |
| Simon Richardson    | 1,040,000                | -           | 1,040,000     | 1,040,000              | -        |
|                     | 8,560,000                | 1,000,000   | 7,560,000     | 8,560,000              | -        |

Note 1 The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and has been recognised as an expense.

Note 2 This number includes 1 million options which were granted during the period by Bartholomew Roberts Ltd, a wholly owned subsidiary of John Bridgeman Limited, to the managing director.

Note 3 These options are unable to be exercised as they are being held in escrow on a voluntary basis until 6 August 2016 and 6 August 2017, being 12 to 24 months after the ordinary securities commenced trading on the National Stock Exchange of Australia.

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

## Options and Rights Granted as Remuneration (Continued)

| 2015                | Balance at End of Period | Vested      |               |                        | Unvested               |
|---------------------|--------------------------|-------------|---------------|------------------------|------------------------|
|                     |                          | Exercisable | Unexercisable | Total at End of Period | Total at End of Period |
|                     | No.                      | No.         | No.           | No.                    | No.                    |
|                     |                          |             | (Note ii)     |                        |                        |
| <b>Current KMP</b>  |                          |             |               |                        |                        |
| Stuart McAuliffe    | 4,440,000                | -           | 4,440,000     | 4,440,000              | -                      |
| Simon Richardson    | 1,040,000                | -           | 1,040,000     | 1,040,000              | -                      |
| John McAuliffe      | 1,040,000                | -           | 1,040,000     | 1,040,000              | -                      |
| Ross Patane         | 1,040,000                | -           | 1,040,000     | 1,040,000              | -                      |
| <b>Previous KMP</b> |                          |             |               |                        |                        |
| Mary-Anne Greaves   | -                        | -           | -             | -                      | -                      |
|                     | 7,560,000                | -           | 7,560,000     | 7,560,000              | -                      |

Note i The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and has been recognised as an expense.

Note ii These options are unable to be exercised as they are being held in escrow on a voluntary basis until 6 August 2016 and 6 August 2017, being 12 to 24 months after the ordinary securities commenced trading on the National Stock Exchange of Australia.

## Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those KMP listed in the previous table are as follows:

## 2016

| Grant Date   | Issuer                      | Entitlement on Exercise       | Dates Exercisable <sup>1,2</sup> | Exercise Price | Value per Option at Grant Date <sup>3</sup> | Amount Paid/ Payable by Recipient |
|--------------|-----------------------------|-------------------------------|----------------------------------|----------------|---|-----------------------------------|
|              |                             |                               |                                  | \$             | \$  | \$                                |
| 21 June 2016 | Bartholomew Roberts Limited | One ordinary share per option | 21 June 2016                     | 1.00           | 0.125                                       | Nil                               |

<sup>1</sup>The options granted by Bartholomew Roberts Ltd are exercisable from the date of grant until 22 April 2021.

<sup>2</sup>The Bartholomew Roberts Ltd options are not held in escrow.

<sup>3</sup>Option values at grant date were determined using the Monte Carlo simulation method.

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

## Description of Options/Rights Issued as Remuneration (Continued)

2015

| Grant Date    | Issuer                 | Entitlement on Exercise          | Dates Exercisable <sup>1,2</sup> | Exercise Price<br>\$ | Value per Option<br>at Grant Date <sup>3</sup><br>\$ | Amount Paid/<br>Payable by<br>Recipient<br>\$ |
|---------------|------------------------|----------------------------------|----------------------------------|----------------------|--|---|
| 10 March 2015 | John Bridgeman Limited | One ordinary share<br>per option | 6 August 2017                    | 1.20                 | 0.0785   | Nil   |
| 10 March 2015 | John Bridgeman Limited | One ordinary share<br>per option | 6 August 2017                    | 1.50                 | 0.0417   | Nil   |
| 10 March 2015 | John Bridgeman Limited | One ordinary share<br>per option | 6 August 2017                    | 2.20                 | 0.0110   | Nil   |
| 10 March 2015 | John Bridgeman Limited | One ordinary share<br>per option | 6 August 2017                    | 3.50                 | 0.00127  | Nil   |

<sup>1</sup> The options granted by John Bridgeman Ltd are exercisable on or before 31 March 2020.

<sup>2</sup> The John Bridgeman Ltd options are held in escrow and are restricted on a voluntary basis from being exercised for 12 to 24 months from the date of quotation of the ordinary shares on a recognised securities exchange.

<sup>3</sup> Option values at grant date were determined using the Monte Carlo simulation method.

There are no criteria required to be met for the options to vest as they have already vested.

## KMP Shareholdings

The number of ordinary shares of John Bridgeman Limited held by each KMP of the Group during the financial period is as follows:

2016

|                     | Balance at Beginning of<br>Period | Granted as<br>Remuneration during<br>the Period | Issued on Exercise of<br>Options during the<br>Period | Other Changes during<br>the Period | Balance at End of<br>Period |
|---------------------|-----------------------------------|---|---|------------------------------------|-----------------------------|
| <b>Current KMP</b>  |                                   |   |   |                                    |                             |
| Stuart McAuliffe    | 5,550,000                         | -   | -   | -                                  | 5,550,000                   |
| John McAuliffe      | -                                 | -   | -   | 896,000                            | 896,000                     |
| Ross Patane         | -                                 | -   | -   | -                                  | -                           |
| <b>Previous KMP</b> |                                   |   |   |                                    |                             |
| Simon Richardson    | -                                 | -   | -   | -                                  | -                           |
|                     | 5,550,000                         | -   | -   | 896,000                            | 6,446,000                   |

## DIRECTORS' REPORT

## Remuneration Report (audited)

## Remuneration Policy (continued)

## KMP Shareholdings (continued)

## 2015

|                     | Balance at Beginning of<br>Period | Granted as<br>Remuneration during<br>the Period | Issued on Exercise of<br>Options during the<br>Period | Other Changes during<br>the Period | Balance at End of<br>Period |
|---------------------|-----------------------------------|---|---|------------------------------------|-----------------------------|
| <b>Current KMP</b>  |                                   |   |   |                                    |                             |
| Stuart McAuliffe    | -                                 | -   |   | 5,550,000                          | 5,550,000                   |
| John McAuliffe      | -                                 | -   | -   | -                                  | -                           |
| Ross Patane         | -                                 | -   | -   | -                                  | -                           |
| Simon Richardson    |                                   |   |   |                                    |                             |
| <b>Previous KMP</b> |                                   |   |   |                                    |                             |
| Mary-Anne Greaves   | -                                 | -   | -   | -                                  | -                           |
|                     | -                                 | -   | -   | 5,550,000                          | 5,550,000                   |

The number of options of John Bridgeman Limited held by each KMP of the Group during the financial period is as follows:

## 2016

|                     | Balance at Beginning of<br>Period | Granted as<br>Remuneration during<br>the Period | Issued on Exercise of<br>Options during the<br>Period | Other Changes during<br>the Period | Balance at End of<br>Period |
|---------------------|-----------------------------------|---|---|------------------------------------|-----------------------------|
| <b>Current KMP</b>  |                                   |   |   |                                    |                             |
| Stuart McAuliffe    | 8,630,000                         | -   | -   | -                                  | 8,630,000                   |
| John McAuliffe      | 1,040,000                         | -   | -   | 896,000                            | 1,936,000                   |
| Ross Patane         | 1,040,000                         | -   | -   | -                                  | 1,040,000                   |
| <b>Previous KMP</b> |                                   |   |   |                                    |                             |
| Simon Richardson    | 1,040,000                         | -   | -   | (1,040,000)                        | -                           |
|                     | 11,750,000                        | -   | -   | (144,000)                          | 11,606,000                  |

## 2015

|                     | Balance at Beginning of<br>Period | Granted as<br>Remuneration during<br>the Period | Issued on Exercise of<br>Options during the<br>Period | Other Changes during<br>the Period | Balance at End of<br>Period |
|---------------------|-----------------------------------|---|---|------------------------------------|-----------------------------|
| <b>Current KMP</b>  |                                   |   |   |                                    |                             |
| Stuart McAuliffe    | -                                 | 4,440,000                                       | -   | 4,190,000                          | 8,630,000                   |
| John McAuliffe      | -                                 | 1,040,000                                       | -   | -                                  | 1,040,000                   |
| Ross Patane         | -                                 | 1,040,000                                       | -   | -                                  | 1,040,000                   |
| Simon Richardson    | -                                 | 1,040,000                                       | -   | -                                  | 1,040,000                   |
| <b>Previous KMP</b> |                                   |   |   |                                    |                             |
| Mary-Anne Greaves   | -                                 | -   | -   | -                                  | -                           |
|                     | -                                 | 7,560,000                                       | -   | 4,190,000                          | 11,750,000                  |

**DIRECTORS' REPORT**

**Remuneration Report (audited)**

**Remuneration Policy (continued)**

**Other Equity-related KMP Transactions**

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

**Other Transactions with KMP and/or their Related Parties**

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 directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

**Consequences of Performance on 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. The Company was incorporated on 8 January 2015.

|                            | <b>2016</b> | <b>2015</b> |
|----------------------------|-------------|-------------|
|                            | <b>\$</b>   | <b>\$</b>   |
| Net loss after tax         | 930,922     | 212,595     |
| Dividends paid             | Nil         | Nil         |
| Operating income growth    | N/A         | N/A         |
| Change in share price      | 0.30        | N/A         |
| Return on capital employed | (12.24)%    | N/A         |

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.




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Mr Stuart McAuliffe, Managing Director

Dated: 30 September 2016

**DIRECTORS' REPORT**

**CORPORATE GOVERNANCE STATEMENT**

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 [www.johnbridgeman.com.au](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, half-yearly and quarterly 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.

## DIRECTORS' REPORT

### **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 regularly 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 (ie 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 who is 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 and Mr J McAuliffe are not considered independent.

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

|                  |                 |                        |
|------------------|-----------------|------------------------|
| Stuart McAuliffe | 1 year 8 months | Executive Director     |
| John McAuliffe   | 1 year 6 Months | Chairman               |
| Ross Patane      | 1 year 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 policy 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 \$200,000 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.



***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 for the financial year ended 30 June 2016 there have been:

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

*KPMG*

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane'.

Simon Crane  
*Partner*

Brisbane  
30 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016

|  | Note | 30 June<br>2016<br>\$ | 8 January<br>2015 to 30<br>June 2015<br>\$ |
|--|------|-----------------------|--|
| Net loss on financial instruments designated at fair value through profit or loss                | 4    | (194,397)             | -  |
| Interest income  |      | 2,074                 | -  |
| Investigative services income  |      | 6,156                 | -  |
| Stock exchange listing and share registry associated costs                                       |      | (165,379)             | -  |
| Employee benefits expense  |      | (283,095)             | (212,595)                                  |
| Commissions paid to investment brokers   |      | (41,982)              | -  |
| Consultants fees   |      | (252,948)             | -  |
| Depreciation Expense   |      | (17)                  | -  |
| Directors' fees  |      | (121,417)             | -  |
| Accounting and audit costs   |      | (144,485)             | -  |
| Insurance costs  |      | (19,166)              | -  |
| Other expenses   |      | (61,661)              | -  |
| <b>Loss before income tax</b>  |      | <b>(1,276,317)</b>    | <b>(212,595)</b>                           |
| Income tax benefit   | 8    | 345,395               | -  |
| <b>Net loss for the year</b>   |      | <b>(930,922)</b>      | <b>(212,595)</b>                           |
| <b>Other comprehensive income</b>  |      |                       |  |
| Items that will not be reclassified subsequently to profit or loss:                              |      | -                     | -  |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met: |      | -                     | -  |
| <b>Other comprehensive income/(loss) for the year</b>  |      | <b>-</b>              | <b>-</b>                                   |
| <b>Total comprehensive loss for the year</b>   |      | <b>(930,922)</b>      | <b>(212,595)</b>                           |
| <b>Total comprehensive loss attributable to:</b>   |      |                       |  |
| Owners of the Company  |      | (931,485)             | (212,595)                                  |
| Non-controlling interests  |      | 563                   | -  |
|  |      | <b>(930,922)</b>      | <b>(212,595)</b>                           |
| <b>Earnings per share</b>  |      |                       |  |
| Basic earnings per share (cents)   | 6    | (6.52)                | (3.58)                                     |
| Diluted earnings per share (cents)   | 6    | (6.52)                | (3.58)                                     |

The accompanying notes form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

|  | Note | 2016<br>\$  | 2015<br>\$ |
|--|------|-------------|------------|
| <b>ASSETS</b>                                      |      |             |            |
| CURRENT ASSETS                                     |      |             |            |
| Cash and cash equivalents                          | 9    | 1,868,573   | 7,400      |
| Trade and other receivables                        | 10   | 5,738,259   | -          |
| Prepayments  |      | 13,992      | -          |
| Term deposits                                      | 11   | 30,000      | -          |
| TOTAL CURRENT ASSETS                               |      | 7,650,824   | 7,400      |
| NON-CURRENT ASSETS                                 |      |             |            |
| Financial assets held at fair value                | 11   | 2,089,250   | -          |
| Property, plant and equipment                      |      | 5,681       | -          |
| Intangible assets                                  | 12   | 434,226     | -          |
| Deferred tax assets                                | 8    | 405,113     | -          |
| TOTAL NON-CURRENT ASSETS                           |      | 2,934,270   | -          |
| TOTAL ASSETS                                       |      | 10,585,094  | 7,400      |
| <b>LIABILITIES</b>                                 |      |             |            |
| CURRENT LIABILITIES                                |      |             |            |
| Payables   | 13   | 117,253     | -          |
| Provisions   | 14   | 38,330      | -          |
| TOTAL CURRENT LIABILITIES                          |      | 155,583     | -          |
| NON-CURRENT LIABILITIES                            |      |             |            |
| TOTAL NON-CURRENT LIABILITIES                      |      | -           | -          |
| TOTAL LIABILITIES                                  |      | 155,583     | -          |
| NET ASSETS   |      | 10,429,511  | 7,400      |
| <b>EQUITY</b>                                      |      |             |            |
| Issued capital                                     | 15   | 10,033,968  | 7,400      |
| Reserves   | 16   | 212,595     | 212,595    |
| Accumulated losses                                 |      | (1,144,080) | (212,595)  |
| TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY |      | 9,102,483   | 7,400      |
| NON-CONTROLLING INTERESTS                          | 24   | 1,327,028   | -          |
| TOTAL EQUITY                                       |      | 10,429,511  | 7,400      |

The accompanying notes form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

|  |               |                       |             | Employee<br>Equity Based<br>Payment<br>reserve | Non-<br>controlling<br>interests | Total      |
|--|---------------|-----------------------|-------------|--|----------------------------------|------------|
| Note   | Share Capital | Accumulated<br>Losses |             |  |                                  |            |
|  | \$            | \$                    |             | \$   |                                  | \$         |
| <b>Opening Balance at 1 July 2015</b>                | 7,400         | (212,595)             |             | 212,595  | -                                | 7,400      |
| <b>Comprehensive income</b>                          |               |                       |             |  |                                  |            |
| Loss for the year                                    | -             | (931,485)             |             | -  | 563                              | (930,922)  |
| Other comprehensive income                           | -             | -                     |             | -  | -                                | -          |
| <b>Total comprehensive income</b>                    | -             | (931,485)             |             | -  | 563                              | (930,922)  |
| <b>Transactions with owners of the Company</b>       |               |                       |             |  |                                  |            |
| <i>Contributions and distributions</i>               |               |                       |             |  |                                  |            |
| Shares issued during the year                        | 15            | 10,163,300            | -           | -  | -                                | 10,163,300 |
| Costs associated with capital raising (net of tax)   | 15            | (136,732)             | -           | -  | -                                | (136,732)  |
| Share based payments                                 | 7             | -                     | -           | -  | 125,000                          | 125,000    |
| <i>Total contributions and distributions</i>         |               | 10,026,568            | -           | -  | 125,000                          | 10,151,568 |
| <i>Changes in ownership interests</i>                |               |                       |             |  |                                  |            |
| Acquisition of subsidiary with NCI                   |               | -                     | -           | -  | 1,201,465                        | 1,201,465  |
| <i>Total changes in ownership interests</i>          |               | -                     | -           | -  | 1,201,465                        | 1,201,465  |
| <b>Total transactions with owners of the Company</b> |               | 10,026,568            | -           | -  | 1,326,465                        | 11,353,033 |
| <b>Balance at 30 June 2016</b>                       |               | 10,033,968            | (1,144,080) | 212,595  | 1,327,028                        | 10,429,511 |
| <b>Opening Balance at 8 January 2015</b>             |               | -                     | -           | -  | -                                | -          |
| <b>Comprehensive income</b>                          |               |                       |             |  |                                  |            |
| Loss   |               | -                     | (212,595)   | -  | -                                | (212,595)  |
| Other comprehensive income                           |               | -                     | -           | -  | -                                | -          |
| <b>Total comprehensive income</b>                    |               | -                     | (212,595)   | -  | -                                | (212,595)  |
| <b>Transactions with owners of the Company</b>       |               |                       |             |  |                                  |            |
| <i>Contributions and distributions</i>               |               |                       |             |  |                                  |            |
| Shares issued during the year                        | 15            | 7,400                 | -           | -  | -                                | 7,400      |
| Share based payments                                 | 7             | -                     | -           | 212,595  | -                                | 212,595    |
| <i>Total contributions and distributions</i>         |               | 7,400                 | -           | 212,595  | -                                | 219,995    |
| <b>Total transactions with owners of the Company</b> |               | 7,400                 | -           | 212,595  | -                                | 219,995    |
| <b>Balance at 30 June 2016</b>                       |               | 7,400                 | (212,595)   | 212,595  | -                                | 7,400      |

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

|   | Note | 2016        | 8 January<br>2015 to 30<br>June 2015 |
|---|------|-------------|--------------------------------------|
|   |      | \$          | \$                                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |             |                                      |
| Receipts from customers                                     |      | 21,510      | -                                    |
| Payments to suppliers and employees                         |      | (830,972)   | -                                    |
| Proceeds from sale of investments                           |      | 1,827,031   | -                                    |
| Payments for purchase of investments                        |      | (7,050,000) | -                                    |
| Interest received   |      | 2,054       | -                                    |
| Net cash used in operating activities                       | 9    | (6,030,377) | -                                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |             |                                      |
| Payments for purchases of property, plant and equipment     |      | (698)       | -                                    |
| Payments for purchases of equity investments                |      | (1,600,000) | -                                    |
| Payments for purchase of subsidiaries, net of cash acquired |      | (445,720)   | -                                    |
| Payments for purchase of financial assets held as security  |      | (30,000)    | -                                    |
| Net cash used in financing activities                       |      | (2,076,418) | -                                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |             |                                      |
| Proceeds from issue of shares                               |      | 10,163,300  | 7,400                                |
| Payments for issue of shares                                |      | (195,332)   | -                                    |
| Net cash provided by financing activities                   |      | 9,967,968   | 7,400                                |
| Net increase in cash held                                   |      | 1,861,173   | 7,400                                |
| Cash and cash equivalents at beginning of year              |      | 7,400       | -                                    |
| Cash and cash equivalents at end of year                    | 9    | 1,868,573   | 7,400                                |

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: REPORTING ENTITY

John Bridgeman Limited (the 'Company') is a public Company domiciled in Australia. Its registered office is at 144 Union Street, Spring Hill, QLD 4000.

These consolidated financial statements as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is a for-profit entity and is primarily involved in investment management services and investing in listed and unlisted investment companies.

The financial statements were authorised for issue by the Board of Directors on 30 September 2016.

NOTE 2: BASIS OF PREPARATION

The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on the historical cost basis unless the application of fair value measurement is required by relevant accounting standards.

All amounts have been rounded to the nearest whole dollar unless otherwise stated.

**a) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

**Key estimates**

*Carrying value of Intangible Assets (Goodwill) (Refer Note 12)*

The carrying value of goodwill has initially been recorded as the difference between consideration paid and the fair value of identifiable net assets acquired 21 June 2016. The carrying value of goodwill has been tested for indicators of impairment based on the criteria as per Note 12.

**Measurement of fair values**

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as described in Note 11.

The value of the ordinary share options was calculated using the Monte Carlo simulation pricing model applying the inputs described at note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

**a) Basis of Consolidation**

*i) Business Combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 12). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

*ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries until the date on which control ceases.

*iii) Non-Controlling Interests (NCI)*

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*iv) Loss of Control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*v) Transactions Eliminated on Consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the invested. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short term highly liquid investments with maturities of 3 months or less. They are measured at gross value of the outstanding balance.

**c) Revenue and Other Income**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

- **Net gain on investments** – Gains and losses arising from changes in the fair value of investments held will be recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.
- **Provision of services** – revenue recognition relating to the provision of 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.
- **Management fee income**– management fees are recognised in accordance with agreements entered into with counter parties to whom management services are provided.
- **Interest income** – interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**d) Income Tax**

The income tax expense/ (benefit) for the year comprises current income tax income and deferred tax income.

Current income tax expense/ (benefit) charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**e) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or 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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**f) Share based payments**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**g) Employee benefits**

Short term employee 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 obligation or constructive obligation to pay this amount as a result of 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, then they are discounted.

**h) Share Capital**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

**i) Financial Instruments**

*Initial recognition and measurement*

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.

*Classification and subsequent measurement*

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.

The Group classifies its financial instruments into the following categories:

**(i) 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.

**(ii) 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.

**(iii) 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 arise principally through the provision of services but also incorporate other types of contractual monetary assets. 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.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**i) Financial Instruments (continued)**

*Impairment of financial assets*

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

*Financial assets at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**j) Impairment of non-financial assets**

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

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 of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

**k) Trade and Other Receivables**

Trade and other receivables include amounts due from customers in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost.

**l) Trade and Other Payables**

All payables and trade creditors are recognised when the Group becomes liable.

**m) Finance income and expenses**

Finance income and finance costs includes net gains or losses on financial assets at fair value through profit or loss and interest income and expenses. Interest income or expense is recognised using the effective interest method.

**n) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding for the period from the date of listing to the reporting date.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue and ordinary shares that the Company expects to issue through the exercise of outstanding options for the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**o) New Accounting Standards for Application in Future Periods**

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and have not been early adopted by the Company for the year ended 30 June 2016. The Company's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the Company are discussed below:

AASB 9 Financial Instruments (and applicable amendments) introduces changes in the classification and measurement of financial assets and financial liabilities and impairment of financial assets. This standard becomes mandatory for the 30 June 2019 financial statements. The potential effects on adoption of the standard are yet to be determined. It is available for early adoption but has not been applied by the Company in this financial report.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has yet to determine the potential effects of adoption of this standard.

AASB 2016-1: Amendments: Recognition of deferred tax assets for unrealised losses amends the AASB 12 Income taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments.

NOTE 4: NET LOSS ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2016<br>\$ | 8 January<br>2015 to 30<br>June 2015<br>\$ |
|---|------------|--|
| Net realised gains/(losses) on financial instruments<br>measured at fair value through profit or loss   | (133,647)  | -  |
| Net unrealised gains/(losses) on financial instruments<br>measured at fair value through profit or loss | (60,750)   | -  |
|   | (194,397)  | -  |

NOTE 5: SEGMENTS

Operating segments are identified based on separate financial information which is regularly reviewed by the Managing Director and his immediate executive team (representing the Chief Operating Decision Maker) in assessing performance and determining the allocation of resources.

As the Group operates in only one segment, all results of the Group, as presented in this financial report, relate to the financial services segment for the current and prior financial years.

The Group operates in one geographical segment being Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6: EARNINGS PER SHARE

|   | 2016<br>\$ | 8 January<br>2015 to 30<br>June 2015<br>\$ |
|---|------------|--|
| a. Reconciliation of earnings to loss:  |            |  |
| Loss attributable to ordinary equity holders  | (930,922)  | (212,595)                                  |
| Earnings used to calculate basic EPS  | (930,922)  | (212,595)                                  |
| Earnings used in the calculation of dilutive EPS  | (930,922)  | (212,595)                                  |
|   | <b>No.</b> | <b>No.</b>                                 |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 14,273,281 | 7,400,000                                  |
| Weighted average number of dilutive options outstanding   | -          | -  |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 14,273,281 | 7,400,000                                  |
| Anti dilutive options were excluded from the dilutive EPS calculation.                                  |            |  |

NOTE 7: EMPLOYEE BENEFITS

**Share-based Payments**

During the current year, 1,000,000 share options in Bartholomew Roberts Limited were granted to the Managing Director by Bartholomew Roberts Limited, a subsidiary controlled by the Company. These options were issued in accordance with a resolution of the Board of Directors of Bartholomew Roberts Limited. The exercise price of each option is \$1.00 and they are exercisable on or before 22 April 2021. These options vested during the year ended 30 June 2016.

The options were valued at \$125,000 using the Monte Carlo simulation pricing model.

During the previous financial year, 7,560,000 share options were granted to key management personnel in accordance with the executive service contract or executive option plan of each of the directors to take up ordinary shares at exercise prices of \$1.20; \$1.50; \$2.20 or and \$3.50 each. The options are exercisable on or before 31 March 2020. The options were valued at \$212,595 using the Monte Carlo simulation pricing model. The options hold no voting or dividend rights and are not transferable. The options are restricted from being exercised for 24 months from the date of quotation of the ordinary shares on a recognised securities exchange. The shares issued commenced trade on the NSX on 6 August 2015.

**Other**

During the current year, the Group made contributions to defined contribution plans totalling \$12,733 (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: INCOME TAX

|   | 2016<br>\$       | 8 January<br>2015 to 30<br>June 2015\$ |
|---|------------------|--|
| a. The components of tax benefit comprise:  |                  |  |
| Current tax   | (286,333)        | -                                      |
| Deferred tax  | (59,062)         | -                                      |
|   | <u>(345,395)</u> | <u>-</u>                               |
| b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:                                 |                  |  |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30%   | (382,895)        | (63,779)                               |
| Add non-deductible expenses   | 37,500           | 63,779                                 |
| Income tax expense/(benefit)  | <u>(345,395)</u> | <u>-</u>                               |
| c. Current tax payable  |                  |  |
| There is no tax payable in relation to the current year. No income tax instalments were made during the year.                                       |                  |  |
| d. Deferred tax asset   |                  |  |
| In line with our existing accounting policy, the Company has exercised judgement in determining the extent of recognition of deferred tax balances. |                  |  |
| The deferred tax asset figure in the statement of financial position is comprised of:   |                  |  |
|   | 2016<br>\$       | 2015<br>\$                             |
| Current year tax losses carried forward   | 287,451          |  |
| Unrealised losses on financial assets   | 18,225           | -                                      |
| Accrued expenses  | 3,844            | -                                      |
| Short term provisions   | 12,618           |  |
| Capital raising costs (deductible over 5 years)   | 82,981           | -                                      |
| Interest receivable   | (6)              | -                                      |
| Deferred tax asset  | <u>405,113</u>   | <u>-</u>                               |
| Listing costs recognised in equity  | (58,600)         | -                                      |
| Current tax   | <u>(287,451)</u> |  |
| Movement in deferred tax recognised in tax expense  | <u>59,062</u>    | <u>-</u>                               |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 9: CASH AND CASH EQUIVALENTS

|  | 2016<br>\$         | 2015<br>\$   |
|--|--------------------|--------------|
| a) Components of cash and cash equivalents   |                    |              |
| Cash at bank and on hand   | 1,868,573          | 7,400        |
|  | <u>1,868,573</u>   | <u>7,400</u> |
| b) Reconciliation of loss after income tax to net cash used in operating activities: |                    |              |
| Loss after income tax  | (930,922)          | -            |
| Adjustments for:   |                    |              |
| Unrealised losses on investments   | 60,750             | -            |
| Share options issued   | 125,000            | -            |
| Depreciation   | 17                 | -            |
| Tax effect of listing costs capitalised  | 58,600             | -            |
|  | <u>(686,555)</u>   | -            |
| Changes in:  |                    |              |
| Trade and other receivables  | (5,784,666)        | -            |
| Prepayments  | (13,992)           | -            |
| Deferred tax asset   | (405,113)          | -            |
| Financial assets held at fair value  | 750,000            | -            |
| Payables   | 98,615             | -            |
| Provisions   | 11,334             | -            |
| Net cash used in operating activities  | <u>(6,030,377)</u> | -            |

c) Non-cash Financing and Investing Activities:

(i) Issue of options

In the current year 1,000,000 share options in Bartholomew Roberts Limited were granted to the Managing Director by Bartholomew Roberts Limited, a company controlled by the parent Company. The value of these options has been determined using the Monte Carlo valuation methodology at \$125,000. These options were expensed in the financial year and recorded at NCI.

In the prior year 7,560,000 ordinary share options were issued to key management personnel by the parent Company during the year ended 30 June 2016. The value of these options has been determined using the Monte Carlo valuation methodology at \$212,595.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE10: TRADE AND OTHER RECEIVABLES

|  |     | 2016<br>\$       | 2015<br>\$ |
|--|-----|------------------|------------|
| Trade receivables                          |     | 38,259           | -          |
| Receivable for sale of Henry Morgan shares | (a) | 4,500,000        | -          |
| Share capital subscription receivable      | (b) | 1,200,000        | -          |
|  |     | <u>5,738,259</u> | <u>-</u>   |

- a. The Company subscribed for and was issued 7,400,000 shares in Henry Morgan Limited on 23 December 2015 for \$1 per share with attaching options on a 1 for 1 basis. On 18 January 2016 5,800,000 of these shares (with the attaching options) were sold to third party professional and sophisticated investors for \$1 per share. The share sale agreements entered into with the investors allowed the proceeds to be repaid to the Company by 30 November 2016. \$1,300,000 has been repaid to 30 June 2016 by the investors. These loans are non-interest bearing.
- b. During the year Mr Bryan Cook subscribed for 40% of the issued share capital of Risk and Security Management Limited for \$1,200,000 which remains unpaid.

NOTE 11: FINANCIAL INSTRUMENTS

The Company classifies fair value measurement using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

## NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents a comparison of the carrying value and fair value of the Group's financial assets and liabilities, including their levels in the fair value hierarchy. It does not include information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| 30 June 2016                                       |      | Carrying amount        |                       |                             |           | Fair value |         |         |           |
|--|------|------------------------|-----------------------|-----------------------------|-----------|------------|---------|---------|-----------|
| \$   | Note | Measured at fair value | Loans and receivables | Other financial liabilities | Total     | Level 1    | Level 2 | Level 3 | Total     |
| <b>Financial assets measured at fair value</b>     |      |                        |                       |                             |           |            |         |         |           |
| Equity securities                                  |      | 2,089,250              | -                     | -                           | 2,089,250 | 2,089,250  | -       | -       | 2,089,250 |
|  |      | 2,089,250              | -                     | -                           | 2,089,250 | 2,089,250  | -       | -       | 2,089,250 |
| <b>Financial assets not measured at fair value</b> |      |                        |                       |                             |           |            |         |         |           |
| Cash and cash equivalents                          | 9    | -                      | 1,868,573             | -                           | 1,868,573 |            |         |         |           |
| Trade and other receivables                        | 10   | -                      | 5,738,259             | -                           | 5,738,259 |            |         |         |           |
| Term deposits                                      |      | -                      | 30,000                | -                           | 30,000    |            |         |         |           |
|  |      | -                      | 7,636,832             | -                           | 7,636,832 |            |         |         |           |
| <b>30 June 2015</b>                                |      |                        |                       |                             |           |            |         |         |           |
|  |      | Carrying amount        |                       |                             |           | Fair value |         |         |           |
| \$   | Note | Measured at fair value | Loans and receivables | Other financial liabilities | Total     | Level 1    | Level 2 | Level 3 | Total     |
| <b>Financial assets not measured at fair value</b> |      |                        |                       |                             |           |            |         |         |           |
| Cash and cash equivalents                          | 9    | -                      | 7,400                 | -                           | 7,400     |            |         |         |           |
|  |      | -                      | 7,400                 | -                           | 7,400     |            |         |         |           |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12: INTANGIBLE ASSETS

|  | 2016<br>\$ | 2015<br>\$ |
|--|------------|------------|
| Goodwill on acquisition of IDS Group Pty Ltd | 434,226    | -          |
| Total Intangible assets                      | 434,226    | -          |

On 21 June 2016 the Group acquired 100% of the share capital of IDS Group Pty Ltd for \$450,000. Net tangible assets of IDS Group Pty Ltd had a fair value of \$15,774 on acquisition date. IDS Group provides market leading investigative and process serving services across Australia.

For the purposes of impairment testing, goodwill has been allocated to the Groups' security and surveillance cash generating unit (CGU). The transaction to acquire IDS Group was completed on an arms-length, unrelated basis. Given the recency of the transactions, the transaction price is considered by the Company to represent the best measure of fair value of IDS Group as at 30 June 2016. The Company has evaluated the recoverability of goodwill with reference to the fair value less cost of disposal of IDS Group, using the market approach. The fair value measurement was categorised as level 2 fair value based on the inputs in the valuation technique used. No impairment was identified.

NOTE 13: PAYABLES

|                 | 2016<br>\$ | 2015<br>\$ |
|-----------------|------------|------------|
| Trade creditors | 15,257     | -          |
| Other creditors | 101,996    | -          |
|                 | 117,253    | -          |

NOTE 14: PROVISIONS

|                                | 2016<br>\$ | 2015<br>\$ |
|--------------------------------|------------|------------|
| Short term employee provisions | 38,330     | -          |
|                                | 38,330     | -          |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: ISSUED CAPITAL

|  | 2016<br>\$        | 2015<br>\$   |
|--|-------------------|--------------|
| 17,563,300 fully paid ordinary shares (30 June 2015 7,400,000) | 10,033,968        | 7,400        |
|  | <u>10,033,968</u> | <u>7,400</u> |

The Company does not have authorised share capital or par value in respect of its issued shares.

|  | 2016<br>Shares    | 2015<br>Shares |
|--|-------------------|----------------|
| a. <b>Share capital</b>  |                   |                |
| Ordinary shares fully paid   | 17,563,300        | 7,400,000      |
|  | \$                | \$             |
| b. <b>Movements in shares on issue:</b>  |                   |                |
| Balance at the beginning of the year   | 7,400             | -              |
| 1,000 ordinary shares issued on 8 January 2015   | -                 | 1              |
| 7,399,000 ordinary shares issued on 12 February 2015   | -                 | 7,399          |
| 6,042,000 ordinary shares issued on 6 August 2015 under the second supplementary prospectus <sup>(1)</sup> | 6,042,000         | -              |
| Share issue costs  | (59,452)          | -              |
| 2,016,300 ordinary shares issued 21 December 2015 <sup>(2)</sup>   | 2,016,300         | -              |
| Share issue costs  | (45,261)          | -              |
| 2,105,000 ordinary shares issued 29 April 2016 <sup>(3)</sup>  | 2,105,000         | -              |
| Share issue costs  | (32,019)          | -              |
| Balance at the end of the year   | <u>10,033,968</u> | <u>7,400</u>   |

<sup>(1)</sup>In accordance with the Company's second supplementary prospectus, 6,042,000 fully paid ordinary shares were issued at \$1.00 per share on 6 August 2015.

<sup>(2)</sup>On 17 December 2015 the Company issued 2,016,300 fully paid ordinary shares at \$1.00 in a placement.

<sup>(3)</sup>On 29 April 2016 the Company issued 2,105,000 fully paid ordinary shares at \$1.00 in a placement.

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

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

c. **Options**

In accordance with the Company's second supplementary 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 issued in the previous year are held in escrow and are restricted on a voluntary basis from being exercised for 12 to 24 months from the date of quotation of the ordinary shares on a recognised securities exchange.

The options hold no voting or dividend rights and are not transferable. The Company's shares commenced trade on the NSX on 6 August 2015. Refer to Note 7 for options issued to key management personnel during the prior year. As at 30 June 2016, total share options outstanding was 25,123,300.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: ISSUED CAPITAL (CONTINUED)

|   | 2016              | 2015              |
|---|-------------------|-------------------|
|   | Options           | Options           |
| d. <b>Movements in options on issue</b>                     |                   |                   |
| Balance at the beginning of the year                        | 14,960,000        | -                 |
| 1,000 ordinary share options granted on 8 January 2015      | -                 | 1,000             |
| 7,399,000 ordinary share options issued on 12 February 2015 | -                 | 7,399,000         |
| 7,560,000 ordinary share options issued on 10 March 2015    | -                 | 7,560,000         |
| 6,042,000 ordinary share options issued on 6 August 2015    | 6,042,000         | -                 |
| 2,016,300 ordinary share options issued on 17 December 2015 | 2,016,300         | -                 |
| 2,105,000 ordinary share options issued on 29 April 2016    | 2,105,000         | -                 |
| Balance at the end of the year                              | <u>25,123,300</u> | <u>14,960,000</u> |

For the terms of these options refer to the Directors' Report for further information.

e. **Capital Management**

The Managing Director controls the capital of the Company in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Company can fund its operations and continue as a going concern.

The Company's capital consists of ordinary share capital.

The Company is not subject to any externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company'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 Company's capital policy is to ensure the level of borrowings are limited to 20% of the total assets of the Company at the time of borrowing.

NOTE 16: RESERVES

**Employee Equity Based Payment Reserve**

The employee equity based payment reserve records items recognised as expenses on valuation of employee share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: FINANCIAL RISK MANAGEMENT

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

The Company's investing activities are exposed to a variety of financial risks. These risks include market risk (including currency risk, interest rate risk and price 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 detailed in the Prospectus dated 31 March 2015.

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.

**a) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices such as foreign exchange rates, interest rates, equity prices and credit spreads.

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 Investment Manager (Stuart McAuliffe) in accordance with the policies and procedures in place.

The Group may use derivative instruments to manage its exposure to market risk. Derivatives are not permitted to be used for gearing purposes.

*(i) Currency Risk*

The Group invests in global futures and enters into transactions that are denominated in currencies other than its functional currency. Consequently, the Group may be exposed to the movements in exchange rates that may have an adverse effect on the fair value or future cash flows of the Group's financial assets or financial liabilities denominated in currencies other than Australian dollars.

The Manager considers currency valuations at the entity level when analysing securities, however the Group's investment portfolio is typically unhedged. Currency exposure may be hedged defensively where the Manager sees a significant risk of currency weakness.

At 30 June 2016, the Group was only exposed to the Australian dollar, its presentation and functional currency.

*(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or the future cash flows 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016  
 NOTE 17: FINANCIAL RISK MANAGEMENT (CONTINUED)

**a) Market Risk (Continued)**

*(ii) Interest Rate Risk (continued)*

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

|                             | Non-interest<br>bearing<br>\$ | Fixed<br>interest rate<br>\$ | Total<br>\$      |
|-----------------------------|-------------------------------|------------------------------|------------------|
| <b>30 June 2016</b>         |                               |                              |                  |
| <b>Financial Assets</b>     |                               |                              |                  |
| Cash and cash equivalents   | 1,868,573                     | -                            | 1,868,573        |
| Loans                       | 4,500,000                     |                              | 4,500,000        |
| Trade and other receivables | 1,238,259                     | -                            | 1,238,259        |
| Term deposit                | -                             | 30,000                       | 30,000           |
|                             | <u>7,606,832</u>              | <u>30,000</u>                | <u>7,636,832</u> |
| <b>30 June 2015</b>         |                               |                              |                  |
| <b>Financial Assets</b>     |                               |                              |                  |
| Cash and cash equivalents   | 7,400                         | -                            | 7,400            |
|                             | <u>7,400</u>                  | <u>-</u>                     | <u>7,400</u>     |

***Interest rate risk 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. This analysis assumes that all other variables remain constant.

***Maturity Analysis***

Cash and cash equivalents are at call. Loans are due to be repaid by 30 November 2016. Trade and other receivables are due to be collected by 31 December 2016. Term deposits have a maturity of greater than 3 months and less than one year.

*(iii) 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 Australian listed securities with some opportunistic allocation to global securities.

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

As at the reporting date, the Company held shares in Henry Morgan Limited, a related company for which it provides investment management services and is listed on the Australian Securities Exchange (ASX).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 17: FINANCIAL RISK MANAGEMENT (CONTINUED)

**a) Market Risk (Continued)***(iii) Price Risk (Continued)***Price risk sensitivity analysis**

An increase of 10% in market prices applicable at reporting date would have reduced the Group's loss and increased the Group's net assets by \$204,250 (2015 nil). A decrease of 10% in market prices would have an equal but opposite effect. This analysis assumes all other variables remain constant.

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.

**b) Credit Risk**

Credit risk is the risk of a counterparty failing to meet its financial obligations or contractual commitments resulting in a financial loss to the Group.

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.

|  | 2016            | 2015    |
|--|-----------------|---------|
|  | \$              | \$      |
| Cash and cash equivalents (a)                          | 1,868,573       | -       |
| Term deposits (a)                                      | 30,000          | -       |
| Trade receivables                                      | 38,259          | -       |
| Receivable for sale of Henry Morgan Limited shares (b) | 4,500,000       | -       |
| Share capital subscription receivable (b)              | 1,200,000       | -       |
|  | <hr/> 7,636,832 | <hr/> - |

(a) These balances are held with an AA- rated retail bank.

(b) See note 10 for further information. This receivable relates to the sale of shares in Henry Morgan Limited previously owned by the Company. This receivable is unsecured and interest free. Full repayment is currently due 30 November 2016.

(c) See note 10 for further information. This receivable relates to the subscription of 40% of the share capital of Risk and Security Management Limited. This receivable is unsecured and interest free.

At 30 June 2016, trade and other receivables were neither past due nor impaired.

Management believes that the unimpaired amounts are collectible in full thus there is no provision for impairment recognised in relation to these trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: FINANCIAL RISK MANAGEMENT (CONTINUED)

**c) Liquidity Risk**

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

The following table summarises the contractual maturity of the Group's financial liabilities at the reporting date:

|   | Carrying<br>amount | Contractual<br>cash flow | At call  | 6 months or<br>less |
|---|--------------------|--------------------------|----------|---------------------|
|   | \$                 | \$                       | \$       | \$                  |
| <b>30 June 2016</b>                         |                    |                          |          |                     |
| <b>Non-derivative financial liabilities</b> |                    |                          |          |                     |
| Payables                                    | 117,253            | 117,253                  | -        | 117,253             |
| <b>Total</b>                                | <b>117,253</b>     | <b>117,253</b>           | <b>-</b> | <b>117,253</b>      |

**30 June 2015 - nil**

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 18: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

The total remuneration paid to KMP of the Group during the year are as follows:

|                                       | 2016<br>\$     | 2015<br>\$     |
|---------------------------------------|----------------|----------------|
| Short-term employee benefits and fees | 197,184        | -              |
| Post-employment benefits              | 18,732         | -              |
| Long term benefits                    | 7,917          | -              |
| Share-based payments                  | 125,000        | 212,595        |
| <b>Total KMP compensation</b>         | <b>348,833</b> | <b>212,595</b> |

**Short-term employee benefits and fees**

In accordance with agreement reached Directors fees were payable once the Company was listed on a securities exchange and this occurred 6 August 2015.

Remuneration was paid to the Managing Director from 1 March 2016.

**Post-employment benefits**

These amounts represent superannuation and superannuation equivalents paid to KMP.

**Share-based payments**

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19: RELATED PARTY TRANSACTIONS

**Transactions with related entities**

The Company commenced investment management services during January 2016. The Board of Directors of the Company has determined that it will not charge a management fee to Henry Morgan Limited (a related company for whom the Company provides investment management services) for the year ended 30 June 2016. If a management fee was charged by the investment manager net loss after tax would have decreased by \$432,796.

The Directors of the parent Company intend to charge the management fee from 1 July 2016.

On 21 June 2016 John Bridgeman Limited (JBL) provided a loan of \$450,000 to wholly owned Bartholomew Roberts (BRL) and BRL provided a loan of the same amount to Risk and Security Management Limited (RSM), a company in which BRL holds 60% of the ordinary shares on issue. The purpose of the loan was to fund the acquisition of 100% of the shares on issue in IDS Group Pty Ltd. The loan from JBL to BRL and from BRL to RSM loan is unsecured with interest being charged at 5% per annum and due for repayment on 21 June 2017 or immediately on receipt of a notice from the lender.

As at 30 June 2016 the Group owed \$20,952 to Henry Morgan Limited.

**Transactions with directors**

On 21 June 2016 Bartholomew Roberts Limited ("BRL") (a Group entity) issued 1,000,000 options to the Managing Director of the Group as remuneration. Each option is exercisable to acquire an ordinary share in BRL for \$1.00 on or before 22 April 2021. The options were valued at \$125,000 using the Monte Carlo simulation pricing model.

As at 30 June 2016 the group owed \$836 to the Managing Director for costs that had not been reimbursed as at 30 June 2016.

Additional related party transactions which took place after 30 June 2016 are detailed in Note 22.

NOTE 20: CONTINGENT LIABILITIES

The Group has no contingent liabilities. The contingent liabilities noted at 30 June 2015 have been settled during the year ended 30 June 2016.

NOTE 21: AUDITORS' REMUNERATION

|  | 2016          | 2015          |
|--|---------------|---------------|
|  | \$            | \$            |
| Remuneration of the auditor for                |               |               |
| – audit and review of the financial statements | 31,000        | 35,000        |
| – due diligence related services               | 5,500         | 14,500        |
|  | <u>36,500</u> | <u>49,500</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the group was John Bridgeman Limited.

|   | 2016<br>\$       | 2015<br>\$   |
|---|------------------|--------------|
| <b>Result of parent entity</b>                          |                  |              |
| Loss for the year                                       | (931,485)        | (212,595)    |
| Other comprehensive income                              | -                | -            |
| Total comprehensive loss for the year                   | (931,485)        | (212,595)    |
| <b>Financial position of parent entity at year end</b>  |                  |              |
| Current Assets  | 6,836,306        | 7,400        |
| Total Assets  | 10,344,686       | 7,400        |
| Current Liabilities                                     | 1,103,602        | -            |
| Total Liabilities                                       | 1,103,602        | -            |
| <b>Total equity of the parent entity comprising of:</b> |                  |              |
| Share Capital   | 10,033,968       | 7,400        |
| Employee equity based payment reserve                   | 212,595          | 212,595      |
| Accumulated losses                                      | (1,005,479)      | (212,595)    |
| <b>Total Equity</b>                                     | <b>9,241,084</b> | <b>7,400</b> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23: LIST OF SUBSIDIARIES

See accounting policy in note 3 a).

The subsidiaries of the group are:

**Bartholomew Roberts Limited (BRL)**

100% owned by the Company. The principal place of business is Australia. BRL was incorporated on 22 April 2016 with the Company acquiring all of the 1,000,000 issued ordinary shares at \$1 per share for \$1,000,000.

BRL was established to hold investments in public companies on behalf of the Company.

On 21 June 2016 BRL issued 1,000,000 options to the Managing Director at a value of \$125,000 as per note 18.

BRL contributed a loss of \$125,000 since acquisition as a result of these options and apart from this transaction did not trade during the year.

**Risk & Security Management Limited (RSM)**

The effective ownership interest in the consolidated group is 60%. The principal place of business is Australia. RSM was incorporated on 21 June 2016 with 3,000,000 ordinary shares at \$1 per share. BRL subscribed for 60% (1,800,000 ordinary shares) for \$1,800,000. Mr Bryan Cook acquired 40% (1,200,000 ordinary shares) for \$1,200,000.

Contributed equity of \$3,000,000 represents the net assets acquired in RSM. This amount approximates the fair value of the asset.

The acquisition is recorded as an investment in a subsidiary by BRL. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

RSM was established to hold investments in corporate investigations and security operations business on behalf of the Company.

RSM has not traded since acquisition.

**IDS Group Pty Ltd (IDS)**

RSM acquired 100% of the issued share capital of IDS on 21 June 2016 for \$450,000 cash settlement.

IDS provides investigations, surveillance, background screening and debugging security sweeps. The Directors believe there is growth potential in the corporate investigation industry and IDS provides access to this growing industry.

The provisional fair value of identifiable net assets acquired was \$15,774 thus goodwill acquired totals \$434,226. The provisional fair value of identifiable net assets is represented by:

|                          |          |
|--------------------------|----------|
| Cash                     | 4,280    |
| Trade receivables        | 53,594   |
| Office equipment         | 5,000    |
| Trade and other payables | (20,104) |
| Employee provisions      | (26,996) |

At acquisition date trade receivables were expected to be fully collected.

No amount of goodwill is expected to be deductible for tax purposes. The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of the company.

The acquisition is recorded as an investment in a subsidiary by RSM. There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

IDS contributed a profit of \$1,409 since acquisition. If IDS was a subsidiary since 1 July 2015, the Group loss would have increased by \$33,128.

## NOTE 24: NCI

The following table summarises the information relating to the Group's subsidiary that has a material NCI, before any intra-group eliminations.

30 June 2016

| \$   | RSM              |
|--|------------------|
| NCI percentage                                   | 40%              |
| Current assets                                   | 3,064,518        |
| Non current assets                               | 441,422          |
| Current liabilities                              | (500,870)        |
| <b>Net assets</b>                                | <b>3,005,070</b> |
| Net assets attributable to NCI                   | 1,202,028        |
| Effect of options issued by subsidiary           | 125,000          |
|  | <u>1,327,028</u> |
| Revenue  | 6,156            |
| Profit   | 1,409            |
| OCI  | -                |
| <b>Total comprehensive income</b>                | <b>1,409</b>     |
| Profit allocated to NCI                          | 564              |
| OCI allocated to NCI                             | -                |
| Cash flows from operating activities             | 21,998           |
| Cash flows from investment activities            | -                |
| Cash flows from financing activities             | -                |
| <b>Net increase in cash and cash equivalents</b> | <b>21,998</b>    |

For 30 June 2015 there were no NCIs.

## NOTE 25: SUBSEQUENT EVENTS

Other than the following, the directors are not aware of any significant events since the end of the year.

On 4 July 2016 the Group acquired an existing business called Trademark Investigation Services for \$600,000. This business provides corporate investigative services.

**Related party and KMP transactions after the end of the year**

On 5 July 2016 John Bridgeman Limited ("JBL") provided a loan of \$677,417 to its wholly owned subsidiary Bartholomew Roberts Limited ("BRL"). BRL provided a loan of the same amount to Risk and Strategy Management Limited ("RSM"), a company in which BRL holds 60% of the shares on issue, to fund the acquisition of 100% of the business of Trademark Investigation Services ("TMIS").

On 5 July 2016 JBL provided a loan of \$60,000 to RSM, a company in which BRL holds an effective 60% interest, for working capital. On 5 August JBL provided an additional loan to RSM of \$20,025 to pay stamp duty in respect of RSM's acquisition of TIS. These loans were unsecured, interest free and had no fixed term. The initial \$60,000 was repaid on 23 August 2016.

On 8 July 2016 the Group loaned \$900,000 to Mr Bryan Cook. Mr Cook is a Director of Risk & Security Management Limited. The loan is secured against 600,000 of Mr Cook's shares in Risk & Security Management Limited. Interest is payable at 6% and the loan is repayable in 12 months from the date the loan was made.

NOTE 25: SUBSEQUENT EVENTS

**Subsidiaries acquired after the end of the year**

**JB Markets Pty Ltd**

On 1 August 2016 the Group acquired all of the shares in Aliom Pty Ltd for \$150,000 plus an adjustment for cash held (total settlement \$200,423). Aliom Pty Ltd was renamed JB Markets Pty Ltd. JB Markets provides broking services.

The provisional fair value of identifiable net assets acquired was \$50,423 thus goodwill acquired totals \$150,000. The provisional fair value of identifiable net assets is represented by:

|                     |         |
|---------------------|---------|
| Cash                | 57,991  |
| Employee provisions | (7,569) |

The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the synergies expected of bringing an entity that provides broking services into the Group as one of the Company's principal activities is managing investments.

No amount of goodwill is expected to be deductible for tax purposes.

There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

**Trademark Investigation Services (TMIS)**

On 4 July 2016 the Group acquired an existing business called Trademark Investigation Services for \$600,000. This business provides corporate investigative services as well as trade mark and licensing infringement investigations. The Directors believe there is growth potential in the corporate investigation industry and TMIS provides further exposure to this growing industry as well operating synergies within the same group as IDS.

The acquisition cost has been allocated to goodwill as the fair value of identifiable net assets acquired is yet to be finalised. The fair value of identifiable net assets is likely to include fixed assets and ongoing employee entitlements.

No amount of goodwill is expected to be deductible for tax purposes. The goodwill is attributable mainly to the skills and technical talent of the workforce as well as the established reputation of the business within the industry.

There were no acquisition costs recognised as costs were categorised as normal operating costs of the Company.

DIRECTORS' DECLARATION

1. In the opinion of the directors of John Bridgeman Limited ("the Company"):
  - (a) the financial statements and notes that are set out on pages 20 to 47 and the Remuneration report in pages 7 to 16 in the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of the performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Managing Director for the year ended 30 June 2016.
3. The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



Director .....

Mr Stuart McAuliffe

Dated this 30th day of September 2016



## **Independent auditor's report to the members of John Bridgeman Limited**

### **Report on the financial report**

We have audited the accompanying financial report of John Bridgeman Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and the 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 ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 16 of the Directors' Report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

#### *Auditor's opinion*

In our opinion, the Remuneration Report of John Bridgeman Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Simon Crane  
*Partner*

Brisbane  
30 September 2016

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 19 September 2016:

1. **Shareholding**

a. **Distribution of Shareholders**

| Category (size of holding): | Number   |         |
|-----------------------------|----------|---------|
|                             | Ordinary | Options |
| 1 – 1,000                   | 3        | 0       |
| 1,001 – 5,000               | 195      | 200     |
| 5,001 – 10,000              | 20       | 20      |
| 10,001 – 100,000            | 32       | 29      |
| 100,001 and over            | 19       | 13      |
|                             | 269      | 262     |

b. The number of shareholdings held in less than marketable parcels is Nil.

c. The names of the substantial shareholders listed in the Company's register are:

| Shareholder:                                 | Number    |           |
|--|-----------|-----------|
|  | Ordinary  | Options   |
| John McAuliffe                               | 896,000   | 896,000   |
| John Hawkins Pty Ltd                         | 5,550,000 | 5,550,000 |
| Jarrad Robert Stuart <Stuart Investment A/c> | 2,200,000 | 2,200,000 |

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

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.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. 20 Largest Shareholders – Ordinary Shares

| Name   | Number of<br>Ordinary<br>Fully Paid<br>Shares Held | % Held of<br>Issued<br>Ordinary<br>Capital |
|--|--|--|
| 1. John Hawkins Pty Ltd  | 5,000,000  | 28.47                                      |
| 2. Mr Jarrad Robert Stuart <Stuart Investment A/c>                             | 2,297,000  | 13.08                                      |
| 3. Wellington Capital Limited <Wellington Investment Fund A/c>                 | 2,016,300  | 11.48                                      |
| 4. Jan Holmes Pty Ltd <Jan Holmes Superannuation Fund A/c>                     | 1,350,000  | 7.69                                       |
| 5. Mrs Christine Normile   | 900,000  | 5.12                                       |
| 6. Mr John McAuliffe <J McAuliffe Retirement Fund A/c>                         | 800,000  | 4.55                                       |
| 7. Henry Avery Partners Pty Ltd  | 549,000  | 3.13                                       |
| 8. Bretlen Pty Ltd <Bretlen Super Fund A/c>                                    | 275,000  | 1.57                                       |
| 9. Mr Peter Aardoom & Mrs Carolyn Aardoom <Aardoom Super Fund A/c>             | 250,000  | 1.42                                       |
| 10. Brett & Helen McAuliffe Pty Ltd <Brett & Helen McAuliffe Family Trust A/c> | 250,000  | 1.42                                       |
| 11. HSBC Custody Nominees (Australia) Limited                                  | 250,000  | 1.42                                       |
| 12. Jan Holmes Pty Ltd <The Jan Holmes Superannuation Fund A/c>                | 250,000  | 1.42                                       |
| 13. Merapine Pty Ltd <The Schuh Group Finance A/c>                             | 250,000  | 1.42                                       |
| 14. Prime Investment Management Services Pty Ltd                               | 250,000  | 1.42                                       |
| 15. Elders FMC Pty Ltd   | 200,000  | 1.14                                       |
| 16. Truebell Capital Pty Ltd <Truebell Investment Fund A/c>                    | 170,000  | 0.97                                       |
| 17. Mr Peter Aardoom & Mrs Carolyn Aardoom <Aardoom Super Fund A/c>            | 150,000  | 0.85                                       |
| 18. Prime Investments Management Services Pty Ltd <Aardoom Family A/c>         | 150,000  | 0.85                                       |
| 19. Elders FMC Pty Ltd   | 119,628  | 0.68                                       |
| 20. Cark Holdings Pty Ltd <Cark Superannuation Fund A/c>                       | 100,000  | 0.57                                       |
|  | <b>15,576,928</b>                                  | <b>88.67</b>                               |

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

f. **20 Largest Shareholders – Ordinary Share Options**

| <b>Name</b>  | <b>Number of<br/>Ordinary<br/>Share<br/>Options</b> | <b>% Held of<br/>Ordinary<br/>Share<br/>Options</b> |
|--|---|---|
| 1. Mr Jarrad Robert Stuart <Stuart Investment A/c>                                       | 2,250,000   | 22.14   |
| 2. Wellington Capital Limited <Wellington Investment Fund A/c>                           | 2,016,300   | 19.84   |
| 3. Mrs Christine Normile   | 950,000   | 9.35  |
| 4. Mr John McAuliffe <J McAuliffe Retirement Fund A/c>                                   | 800,000   | 7.87  |
| 5. Bretlen Pty Ltd <Bretlen Super Fund A/c>  | 275,000   | 2.71  |
| 6. Mr Peter Aardoom & Mrs Carolyn Aardoom <Aardoom Super Fund A/c>                       | 250,000   | 2.46  |
| 7. Brett & Helen McAuliffe Pty Ltd <Brett & Helen McAuliffe Family Trust A/c>            | 250,000   | 2.46  |
| 8. HSBC Custody Nominees (Australia) Limited   | 250,000   | 2.46  |
| 9. Jan Holmes Pty Ltd <The Jan Holmes Superannuation Fund A/c>                           | 250,000   | 2.46  |
| 10. Merapine Pty Ltd <The Schuh Group Finance A/c>                                       | 250,000   | 2.46  |
| 11. Prime Investment Management Services Pty Ltd   | 250,000   | 2.46  |
| 12. Truebell Capital Pty Ltd <Truebell Investment Fund A/c>                              | 170,000   | 1.67  |
| 13. Elders FMC Pty Ltd   | 126,000   | 1.24  |
| 14. Cark Holdings Pty Ltd <Cark Superannuation Fund A/c>                                 | 100,000   | 0.98  |
| 15. Mr John Alfred Clarebrough & Mrs Pamela Judith Clarebrough <Warrawee Super Fund A/c> | 100,000   | 0.98  |
| 16. Draycott Private Capital Pty Ltd   | 100,000   | 0.98  |
| 17. Mr Peter John Gilbank & Mrs Denise Gilbank <The Gilbank Family S/F A/c>              | 94,000  | 0.92  |
| 18. DYAB Pty Ltd <Dyab Retirement Fund A/c>  | 75,000  | 0.74  |
| 19. Ptree345 Pty Ltd   | 59,000  | 0.58  |
| 20. Arras Pty Ltd  | 50,000  | 0.49  |
|  | <b>8,665,300</b>                                    | <b>85.25</b>  |

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. The name of the Company secretary is Jody Wright.
3. The address of the principal registered office in Australia is 144 Union Street, Spring Hill, Qld, 4000. Telephone 1300 155 396.
4. Registers of securities are held at the following addresses:  
Qld Link Market Services, Level 15, 324 Queen Street, Brisbane, Qld, 4000.
5. **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.