



Henry Morgan

# Announcement

Henry Morgan Limited  
ACN 602 041 770

28 February 2017

## **Interim Report and Financial Statements for the half year ended 31 December 2016**

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Henry Morgan Limited (ASX:HML) hereby lodges:

1. Appendix 4D Statement for the half year ended 31 December 2016; and
2. Interim Report for the half year ended 31 December 2016, incorporating the interim financial statements.

ENDS

Stuart McAuliffe  
Managing Director  
**Henry Morgan Limited**  
[stuart@henrymorgan.com.au](mailto:stuart@henrymorgan.com.au)



Henry Morgan

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Appendix 4D**

<b>Name of Entity:</b>	Henry Morgan Limited ( <b>ASX : HML</b> )
<b>ABN:</b>	53 602 041 770
<b>Current Financial Period Ended:</b>	Half-Year ended 31 December 2016
<b>Previous Corresponding Reporting Period:</b>	Half-Year ended 31 December 2015

**Results for Announcement to the Market**

	<b>Percentage change Up or Down</b>	<b>%</b>	<b>\$'000</b>
<b>Revenue from ordinary activities</b>	Up from nil	n/a	to 3,683
<b>Profit from ordinary activities after tax attributable to members</b>	Up from (\$114,000) loss	1,312%	to 1,382
<b>Profit for the period attributable to members</b>	Up from (\$114,000) loss	1,312%	to 1,382

<b>Dividends</b>	<b>Amount per Security</b>	<b>Franked amount per Security</b>
<b>Interim Dividend – Current reporting period</b>	Nil	Nil
<b>Record date for determining entitlements to dividends (if any)</b>	Not applicable	
<b>Date Dividend is payable</b>	Not applicable	
<b>Details of any dividend reinvestment plan in operation</b>	Not applicable	
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plan</b>	Not applicable	
<b>See note below regarding Special Dividend payable</b>		

<b>Net Tangible Assets (NTA)</b>	<b>December 2016</b>	<b>December 2015</b>
<b>Net Tangible Assets per security</b>	\$1.15	\$0.99



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**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Appendix 4D (continued)**

**Brief explanation of any figures reported above necessary to enable the figures to be understood**

**Net Tangible Assets**

The Directors have from time to time announced internally generated indicative NTA estimates based on their estimated assessment of the value of the Company's investments to the Company. As stated in the announcements (eg 5 January 2017), those internal valuations may take account of, amongst other things, proposed liquidity events in respect of unlisted investments.

Estimates of value in respect of unlisted investments have not been applied in the preparation of the attached Interim Financial Report. Instead, given that the Company's unlisted investments were acquired recently, for the purposes of statutory financial reporting, the unlisted investments have been included at their investment cost to the Company. As a result, the NTA above, based on the Interim Financial Report figures, is less than the indicative NTA released to the market for shareholders' information.

**Comparison to corresponding prior period**

The Company commenced operations on 6 January 2016, therefore the information contained in the Interim Financial Report for the half-year ended 31 December 2016 is not directly comparable to the same period in 2015.

**Dividends paid and proposed**

No dividends were paid during the half-year ended 31 December 2016. On 19 January 2017 the Company announced a special dividend of \$0.20 per share. The record date for the dividend was 17 February 2017 and the dividend is to be paid on 13 March 2017. The company has implemented a dividend reinvestment plan which is available to shareholders in respect of that dividend.

**Compliance Statement**

This report is based on the financial report that has been reviewed by our external auditors.

**Stuart McAuliffe**  
Managing Director  
Brisbane QLD  
28 February 2017



Henry Morgan

*“Aut pax aut bellum”*

# INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

HENRY MORGAN LIMITED ACN 602 041 770

## **Interim Financial Report for the half-year ended 31 December 2016**

### **DIRECTORS' REPORT**

The Directors present their Report together with the Interim Financial Report of Henry Morgan Limited (the Company) for the half-year ended 31 December 2016.

#### **Directors**

The following persons were Directors of the Company during the half-year and up to the date of this report:

- Stuart McAuliffe
- John McAuliffe
- Rosario Patane

#### **Operating and Financial Review**

The Company provides investors with the opportunity to gain exposure to an investment portfolio which is actively managed. The investment portfolio is invested in global markets in derivative instruments providing exposure to equities, equity indices, bonds, currencies and commodities, and also in listed and unlisted securities with the aim of achieving above average returns (whilst limiting volatility) over the medium to long term.

#### **Results**

The Company generated a net profit after tax for the half-year of \$1,382,279 (2015 loss \$114,003). Income was primarily derived from trading of derivatives and the main costs were commissions paid to brokers and management / performance fees paid to the Investment Manager John Bridgeman Limited, an associated company.

The Directors are of the opinion that the investments in unlisted entities of \$8,300,106, included at investment cost within the total of \$13,071,557 Investments held at fair value, will be recognised at substantially greater value provided expansions and proposed stock exchange listings are achieved as scheduled. Those investments have been acquired during the past half-year and the focus for the next six to twelve months will be to maximise their value and acquire further quality investments to complement the portfolio. However, given that Company's investment in privately held investments were acquired recently, for the purposes of this Interim Financial Report the unlisted investments have been carried at their investment cost to the Company. The Company continues to reassess the investment portfolio valuation and its policy is to account for changes or events which imply a change in the investment's fair value.

#### **Acquisitions**

On 8 August 2016 the Company acquired 25% of the issued shares of JB Financial Group Ltd (**JBFG**) (formerly JB Broking Ltd), a newly established company. During the half year the Company injected \$6,250,000 additional capital into JBFG and increased its ownership to 35.5%.

- JBFG owns 100% of the shares of JB Markets Pty Ltd, which holds an Australian Financial Services License (#323182) and operates as a broking firm.
- In two tranches during November and December 2016 JBFG acquired a total of 80.6% of the issued capital of King's Currency Exchange Pty Ltd (**Kings**) and a non-operating associate of Kings for total consideration of \$7,678,000. Kings operate the Crown Currency Exchange and King's Currency Exchange businesses which have a corporate history of more than 30 years and provide retail foreign exchange services through a network of foreign currency exchange stores.

On 2 November 2016, the Company acquired 50% of the issued capital of K-Ching Holdings Pty Ltd and K-Ching Pty Ltd (**K-Ching**) for total consideration of \$300,000. K-Ching Pty Ltd is an established business involved in retailing via vending machines.

During the half year, in three tranches, the Company acquired 36.4% of BRL for consideration of \$1,700,000.

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**

**DIRECTORS' REPORT (Continued)**

**Changes in Equity**

On 6 September 2016, the Company completed a placement of 1,686,256 fully paid ordinary shares at \$1.10 per share with one free attaching listed option per share. The placement raised \$1,854,882 before costs.

On 28 September 2016 the Company announced it had closed a Share Purchase Plan offer. The offer was on the same terms as the placement above and resulted in the issue of 572,809 fully paid ordinary shares at \$1.10 per share with one free attaching listed option per share. The issue raised \$630,090 before costs.

**Subsequent Events**

Since the end of the Half-year:

A special dividend of \$0.20 per share has been declared by the Company and is payable on 13 March 2017 from retained earnings including current period profits.

The Company has issued 10,371,451 fully paid ordinary shares at \$1.00 per share pursuant to the exercise of listed options. The number of options on issue has reduced by the same number to 5,887,614 as at the date of this report.

As at the date of this report, the Company had acquired 850,323 shares in ASX listed Hunter Hall International Limited (**HHL**) representing approximately 3.11% of the issued capital in HHL. The Company has also instructed its brokers to seek to acquire additional shares in HHL.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2016.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.



.....  
Mr Stuart McAuliffe, Managing Director

Dated 28 February 2017



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

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To the Directors of Henry Morgan Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the Half-year ended 31 December 2016 there have been:

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

*KPMG*

KPMG

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

Simon Crane  
Partner

Brisbane  
28 February 2017

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>31 December</b>	<b>31 December</b>
	<b>Notes</b>	<b>2016</b>	<b>2015</b>
<b>Investment income</b>		<b>\$</b>	<b>\$</b>
Net gain on trading of derivatives	4	3,936,061	-
Net loss on financial instruments at fair value through profit or loss	4	(320,959)	-
Interest income		31,276	-
Dividend income		36,482	-
<b>Total investment income</b>		<b>3,682,860</b>	<b>-</b>
<b>Expenses</b>			
Management and performance fees	9	(678,514)	-
Commissions paid to investment brokers		(477,459)	-
Accounting and audit expense		(84,934)	(39,648)
Consultants fees		(124,412)	-
Directors' fees		(79,567)	-
Insurance expense		(51,922)	(4,808)
Stock exchange listing and share registry associated costs		(28,863)	(115,801)
Other expenses		(182,504)	(9,177)
<b>Total expenses</b>		<b>(1,708,175)</b>	<b>(169,434)</b>
<b>Profit / (loss) before income tax</b>		<b>1,974,685</b>	<b>(169,434)</b>
Income tax benefit / (expense)		(592,406)	55,431
<b>Net profit / (loss) for the year</b>		<b>1,382,279</b>	<b>(114,003)</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 for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period attributable to members of the Company</b>		<b>1,382,279</b>	<b>(114,003)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
— basic earnings per share	10	8.15	(14.92)
— diluted earnings per share	10	7.26	(14.92)

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



**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

		<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	2,892,467	9,307,262
Balances held with brokers	7	6,228,958	3,482,473
Receivables		211,438	104,903
Term deposits		187,704	5,050,000
Derivative assets	11	168,925	137,861
Investments held at fair value	11	13,071,557	-
Deferred tax assets		233,554	340,488
<b>TOTAL ASSETS</b>		<b>22,994,603</b>	<b>18,422,987</b>
<b>LIABILITIES</b>			
Derivative liabilities	11	1,096,362	971,801
Payables		155,269	18,826
Current tax payable		1,260,588	787,750
<b>TOTAL LIABILITIES</b>		<b>2,512,219</b>	<b>1,778,377</b>
<b>NET ASSETS</b>		<b>20,482,384</b>	<b>16,644,610</b>
<b>EQUITY</b>			
Issued capital		17,859,290	15,403,795
Retained earnings		2,623,094	1,240,815
<b>TOTAL EQUITY</b>		<b>20,482,384</b>	<b>16,644,610</b>

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

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**

**STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital	Retained Earnings	Total
		\$	\$	\$
<b>Balance at 1 July 2015</b>		1,000	-	1,000
<b>Comprehensive income</b>				
Loss for the period		-	(114,003)	(114,003)
Other comprehensive income for the period		-	-	-
<b>Total comprehensive loss for the period</b>		-	(114,003)	(114,003)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>				
Issue of share capital	8	15,600,000	-	15,600,000
Costs associated with capital raising, net of tax	8	(111,954)	-	(111,954)
<b>Total transactions with owners, in their capacity as owners, and other transfers</b>		15,488,046	-	15,488,046
<b>Balance at 31 December 2015</b>		15,489,046	(114,003)	15,375,043
<b>Balance at 1 July 2016</b>		15,403,795	1,240,815	16,644,610
<b>Comprehensive income</b>				
Profit for the period		-	1,382,279	1,382,279
Other comprehensive income for the period		-	-	-
<b>Total comprehensive income for the period</b>		-	1,382,279	1,382,279
<b>Transactions with owners, in their capacity as owners, and other transfers</b>				
Issue of share capital	8	2,484,972	-	2,484,972
Costs associated with capital raising, net of tax	8	(29,477)	-	(29,477)
<b>Total transactions with owners, in their capacity as owners, and other transfers</b>		2,455,495	-	2,455,495
<b>Balance at 31 December 2016</b>		17,859,290	2,623,094	20,482,384

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

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**

**STATEMENT OF CASH FLOWS**

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net proceeds from trading of derivatives	4,029,558	-
Interest received	81,282	-
Dividends received	36,482	-
Payments to brokers for initial trading margin	(2,746,485)	-
Commissions paid to investment brokers	(477,459)	-
Payments for management and performance fees	(889,952)	-
Payments for operating and administrative expenses	(492,862)	(42)
Net cash used in operating activities	(459,436)	(42)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchase of financial assets (shares)	(13,462,120)	-
Proceeds from sale of financial assets (shares) (term deposit)	69,604	-
Proceeds from redemption of financial assets (term deposit)	4,862,296	-
Net cash used in investing activities	(8,530,220)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	2,484,972	15,601,000
Payments for issue of shares	(42,111)	-
Proceeds received for issue of shares not issued at end of the period	132,000	-
Net cash provided by financing activities	2,574,861	15,601,000
Net increase / (decrease) in cash held	(6,414,795)	15,600,958
Cash and cash equivalents at beginning of the half-year	9,307,262	-
Cash and cash equivalents at end of the half-year	2,892,467	15,600,598

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

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 1 REPORTING ENTITY**

Henry Morgan Limited (the Company) is a listed investment company domiciled in Australia. These interim financial statements as at and for the half-year period ended 31 December 2016 comprise the Company only.

The annual financial statements of the Company as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at 144 Union Street, Spring Hill QLD 4000 or at <http://www.henrymorgan.com.au>.

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES**

**(a) Basis of preparation**

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended 30 June 2016.

These interim financial statements were authorised for issue by the Company's Board of Directors on 28 February 2017.

**(b) Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

**NOTE 3 USE OF JUDGEMENTS AND ESTIMATES**

In preparing these interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2016.

**(a) Measurement of fair values**

The fair value of quoted instruments are based on current bid prices. The fair value of privately held investments that are not currently traded in a public market are estimated using valuation techniques, such as the Income Approach, the Market Approach, and the Cost Approach; these investments are included in Level three of the valuation hierarchy at note 11. Factors considered in determining the fair value of these investments include, but are not limited to, market conditions, purchase price, nature of investment, estimation of liquidity value, subsequent equity financing involving third parties or a significant change in operating performance or potential resulting in a change in valuation, and other pertinent information.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board.

When measuring the fair value of an asset or a liability, the Company 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 follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**(a) Measurement of fair values (continued)**

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in Note 11 – financial instruments.

**NOTE 4 NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS**

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
Net gain on trading of derivatives	3,936,061	-
Net realised gains on financial instruments measured at fair value through profit or loss	4,666	-
Net unrealised (losses) on financial instruments measured at fair value through profit or loss	(325,625)	-
Net gain on financial instruments measured at fair value through profit or loss	<u>3,615,102</u>	<u>-</u>

**NOTE 5 OPERATING SEGMENTS**

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

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

The Company operates in one geographical segment being Australia.

**NOTE 6 CASH AND CASH EQUIVALENTS**

	<b>31 December 2016 \$</b>	<b>30 June 2016 \$</b>
Cash at bank	221,564	3,291,832
Cash held with brokers - unrestricted	2,538,903	6,015,430
Cash held in trust pending the issue of shares in the Company	132,000	-
	<u>2,892,467</u>	<u>9,307,262</u>

**NOTE 7 BALANCES HELD WITH BROKERS**

	<b>31 December 2016 \$</b>	<b>30 June 2016 \$</b>
Balances held with brokers	<u>6,228,958</u>	<u>3,482,473</u>

This amount represents security held with brokers against open derivative margins.

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

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 8 EQUITY SECURITIES ISSUED**

	<b>2016 Shares</b>	2015 Shares	<b>2016 \$</b>	2015 \$
<b>Opening Balance</b>	<b>15,601,000</b>	1,000	<b>15,403,795</b>	1,000
<b>Issues of ordinary shares during the half-year</b>				
23 September 2015: IPO issue.	-	15,600,000	-	15,600,000
6 September 2016: Issue of options accompanying shares issued in a placement.	<b>1,686,256</b>	-	<b>1,854,882</b>	-
28 September 2016: Issue of shares issued pursuant to a Share Purchase Plan.	<b>572,809</b>	-	<b>630,090</b>	-
Share issue costs, net of tax.	-	-	<b>(29,477)</b>	(111,954)
<b>Closing Balance</b>	<b>17,860,065</b>	15,601,000	<b>17,859,290</b>	15,489,046

	<b>2016 Options</b>	2015 Options
<b>Opening balance</b>	<b>14,000,000</b>	-
<b>Issue of options during the half-year</b>	-	-
23 September 2015: Issue of Options accompanying IPO issue.	-	15,600,000
Options cancelled	-	(1,600,000)
6 September 2016: Issue of options accompanying shares issued in a placement.	<b>1,686,256</b>	-
28 September 2016: Issue of options accompanying shares issued pursuant to a Share Purchase Plan.	<b>572,809</b>	-
<b>Closing balance</b>	<b>16,259,065</b>	14,000,000

The options have an exercise price of \$1 per option, exercisable from the date of issue to 31 August 2018.

**NOTE 9 MANAGEMENT AND PERFORMANCE FEES**

In accordance with the management services agreement dated 12 March 2015, the Investment Manager, John Bridgeman Limited, will receive a management fee of 2.0% per annum (plus GST) calculated and paid monthly in arrears based on the net tangible assets of the Company; and a performance fee paid quarterly in arrears. The performance fee is calculated as 23% of the investment return at the end of the last day of the relevant quarter.

Investment return is defined as the percentage by which the mark to market value at the end of the last day of the relevant quarter exceeds the mark to market value at the end of the last day of the quarter immediately prior to the relevant quarter, excluding any additions to or reductions in equity in the Company during the relevant quarter including dividend reinvestments, new issues, the exercise of share options share buy backs and payment of dividends.

The management fee was charged for the first time in relation to the quarter ending 30 September 2016.

The Investment Manager has charged management fees of \$208,633 and performance fees of \$469,881 including GST during the half-year.

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 10 EARNINGS PER SHARE**

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
Reconciliation of earnings to profit:		
Profit attributable to ordinary equity holders	1,382,279	(114,003)
Earnings used to calculate basic EPS	1,382,279	(114,003)
Earnings used in the calculation of dilutive EPS	1,382,279	(114,003)
Weighted average number of shares used as the denominator:		
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	16,965,869	764,043
Effect of options	2,064,706	-
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	19,030,575	764,043

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

*Note 11 commences on the next page.*



**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 11 FINANCIAL INSTRUMENTS**

The following table presents a comparison of the carrying value of the Company'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.

<b>31 December 2016</b>		Carrying Amount			Fair value			
\$	Note	Measured at fair value	Loans and Receivables	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Listed shares		4,771,451	-	4,771,451	4,771,451	-	-	4,771,451
Unlisted shares		8,300,106	-	8,300,106	-	-	8,300,106	8,300,106
Derivative assets		168,925	-	168,925	168,925	-	-	168,925
		<u>13,240,482</u>	<u>-</u>	<u>13,240,482</u>	<u>4,940,376</u>	<u>-</u>	<u>8,300,106</u>	<u>13,240,482</u>
<b>Financial assets not measured at fair value</b>								
Cash and cash equivalents	6	-	2,892,467	2,892,467				
Balances held with brokers	7	-	6,228,958	6,228,958				
Term deposits		-	187,704	187,704				
			<u>9,309,129</u>	<u>9,309,129</u>				
<b>Financial liabilities measured at fair value</b>								
Derivative liabilities		1,096,362	-	1,096,362	1,096,362			1,096,362
		<u>1,096,362</u>	<u>-</u>	<u>1,096,362</u>	<u>1,096,362</u>	<u>-</u>	<u>-</u>	<u>1,096,362</u>

The following information shows the valuation techniques used in measuring Level 3 fair values at 31 December 2016 (30 June 2016-nil), as well as the significant unobservable inputs used.

Type:	Unlisted shares
Valuation technique	Market approach – price of recent investments.
Significant unobservable inputs	During the period, \$8,300,106 has been invested into privately held investment and classified as level 3 assets. Those investments are included in this report at the investment's cost to the Company. No fair value gains or losses on these investments have been recognised in the period to 31 December 2016.
	The unlisted investments were all acquired during the half year, between 1 August and 31 December 2016. As a result of the proximity of the investment acquisition dates to the end of the half-year, the cost of investments is considered to be the most appropriate basis for assessing fair value for the purpose of preparing the Interim Financial Report for the period ended 31 December 2016.

**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 11 FINANCIAL INSTRUMENTS (CONTINUED)**

<b>30 June 2016</b>		Carrying Amount			Fair value			
\$	Note	Measured at fair value	Loans and Receivables	Total	Level 1	Level 2	Level 3	Level 4
<b>Financial assets measured at fair value</b>								
Derivative assets		137,861	-	137,861	137,861			137,861
		137,861	-	137,861	137,861	-	-	137,861
<b>Financial assets not measured at fair value</b>								
Cash and cash equivalents	6	-	9,307,262	9,307,262				
Balances held with brokers	7	-	3,482,473	3,482,473				
Term deposits		-	5,050,000	5,050,000				
			17,839,735	17,839,735				
<b>Financial liabilities measured at fair value</b>								
Derivative liabilities		971,807	-	971,807	971,807			971,807
		971,807	-	971,807	971,807	-	-	971,807

**NOTE 12 RELATED PARTY TRANSACTIONS**

During the half-year the following related party transactions occurred.

All transactions with related parties are conducted on normal commercial terms and conditions, and include:

- (i) The acquisition by the Company of additional shares in Bartholomew Roberts Ltd, a subsidiary of the Investment Manager John Bridgeman Limited;
- (ii) The management fee and performance fee to be paid to the Investment Manager, John Bridgeman Limited. Refer to note 9;
- (iii) The compensation arrangements with the Chairman and each of the Directors; and
- (iv) The interests in the Company held directly and indirectly by the Chairman, Directors and Investment Manager.

**NOTE 13 EVENTS AFTER THE END OF THE REPORTING PERIOD**

Other than the following, the Directors are not aware of any significant events since the end of the interim period.

A special dividend of \$0.20 per share has been declared by the Company and is payable on 13 March 2017 from retained earnings including current period profits.

The Company has issued 10,371,451 fully paid ordinary shares at \$1.00 per share pursuant to the exercise of listed options. The number of options on issue has reduced by the same number to 5,887,614 as at the date of this report.

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

**NOTE 13 - EVENTS AFTER THE END OF THE REPORTING PERIOD (Continued)**

As at the date of this report, the Company had acquired 850,323 shares in ASX listed Hunter Hall International Limited (**HHL**) representing approximately 3.11% of the issued capital in HHL. The Company has also instructed its brokers to seek to acquire additional shares in HHL.

**Henry Morgan Limited**  
**ABN 53 602 041 770**

**Interim Financial Report for the half-year ended 31 December 2016**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of Henry Morgan Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 15, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable ground to believe that the Company will be able to pay its debts as and when they become due and payable.



.....  
Mr Stuart McAuliffe, Managing Director

Dated 28 February 2017

# Independent Auditor's Review Report

To the members of Henry Morgan Limited

## Conclusion

We have reviewed the accompanying Interim Financial Report of Henry Morgan Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the **Interim Financial Report** of Henry Morgan Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the **Company's** financial position as at 31 December 2016 and of its performance for the **Half-year** ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Statement of financial position as at 31 December 2016
- Statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Interim Period** is the six months ended on 31 December 2016.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Henry Morgan Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

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



KPMG



Simon Crane  
Partner

Brisbane  
28 February 2017