



Henry Morgan

Henry Morgan Limited  
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7 March 2018

Lisa Banh  
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ASX Compliance Pty Ltd  
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Email: [lisa.banh@asx.com.au](mailto:lisa.banh@asx.com.au)

Dear Ms Banh,

**HENRY MORGAN LIMITED (“HML”): AWARE QUERY**

Our responses to each question set out in your letter of 14 February 2018:

1. Please refer to Annexure A. HML is not directly aware of the interrelationships between John Bridgeman Limited, Bartholomew Roberts Pty Ltd and JB Financial Group Ltd and is not able to provide the details requested in respect of these interrelationships.
2. HML became aware of the actual net profit of JBFG when it requested and was provided with a copy of the 2017 Annual Report for JBFG on 25 January 2018.
3. Yes, but only to the extent that the net profit performance of JBFG would have an impact on the valuation of HML’s unlisted investments as reflected in the Company’s Net Tangible Assets.
4. The Company immediately provided the JBFG 2017 Annual Report to the market announcements platform when received from JBFG on 25 January 2018.
5. The uncertainty inherent in the statements made by HML on 12 December 2016 were dealt with in the Company’s ASX Announcement of 15 December 2016 “Further Business Update December 2016”. HML relied on information provided by JBFG. The 12 December 2016 forecast for net profit of JBFG was based on internal projections and assumed acquisitions that at that point in time were not settled.
6. The estimated “annualised turnover” is an annualised forecast for the entities that the Company controlled or anticipated controlling at the end of the 2016/2017 financial year. The forecast does not purport to reflect the expected actual result for JBFG for the 2016/2017 financial year. Nor is it correct to simply extrapolate the 2016/2017 reported revenues for part year results to arrive at an annualised turnover. Doing so does not correctly factor in growth forecasts, business activity changes, potential



revenue gains, forecast changes in economic conditions and any seasonality in the generation of JBFG's revenues. At this stage JBFG has not provided HML with any additional information that would lead it believe that the estimated "annualised turnover" is not reasonable.

7. Not applicable.
8. Yes, but only to the extent that the net profit performance of JBFG would have an impact on the valuation of HML's unlisted investments as reflected in the Company's Net Tangible Assets.
9. The Company immediately provided the JBFG 2017 Annual Report to the market announcements platform when received from JBFG on 25 January 2018.
10. HML is not directly aware of the actual revenue and earnings performance of RSM. To the extent that there are variations in the financial performance of the JBFG subsidiaries, those variations are reflected in the valuation of HML's minority interest in JBFG.
11. No. RSM is a subsidiary of JBFG. The forecast revenue and earnings performance of RSM is reflected in the valuation of JBFG. This valuation of JBFG is included in the valuation of HML's unlisted investments for the purpose of calculating the Company's Net Tangible Assets.
12. Not applicable. Refer to 11.
13. The information was provided directly to the Company by management of JBFG. HML understands that this information provided by JBFG was based on forecasts prepared by RSM management that were provided to JBFG at that time.
14. HML understands that BDO's review of HML's NTA calculation will be completed following the provision of their independent expert's report on the fairness and reasonableness of the offer made by John Bridgeman Limited to acquire HML's shares in JBFG. BDO's independent expert's report is expected to be received prior to the end of March 2018. HML believes it has taken all reasonable steps to cooperate with BDO and provide all relevant information, while at the same time not interfering with BDO's independent processes, including timing.
15. Other than in respect of Listing Rule 4.12, HML is in compliance with the Listing Rules and, in particular, Listing Rule 3.1. HML, with the consent of ASX, has not provided its NTA to the market while it remains in voluntary suspension awaiting the outcome of the BDO NTA review.
16. HML's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policies or otherwise by its board or an officer with delegated authority from the board to respond to ASX on disclosure matters.

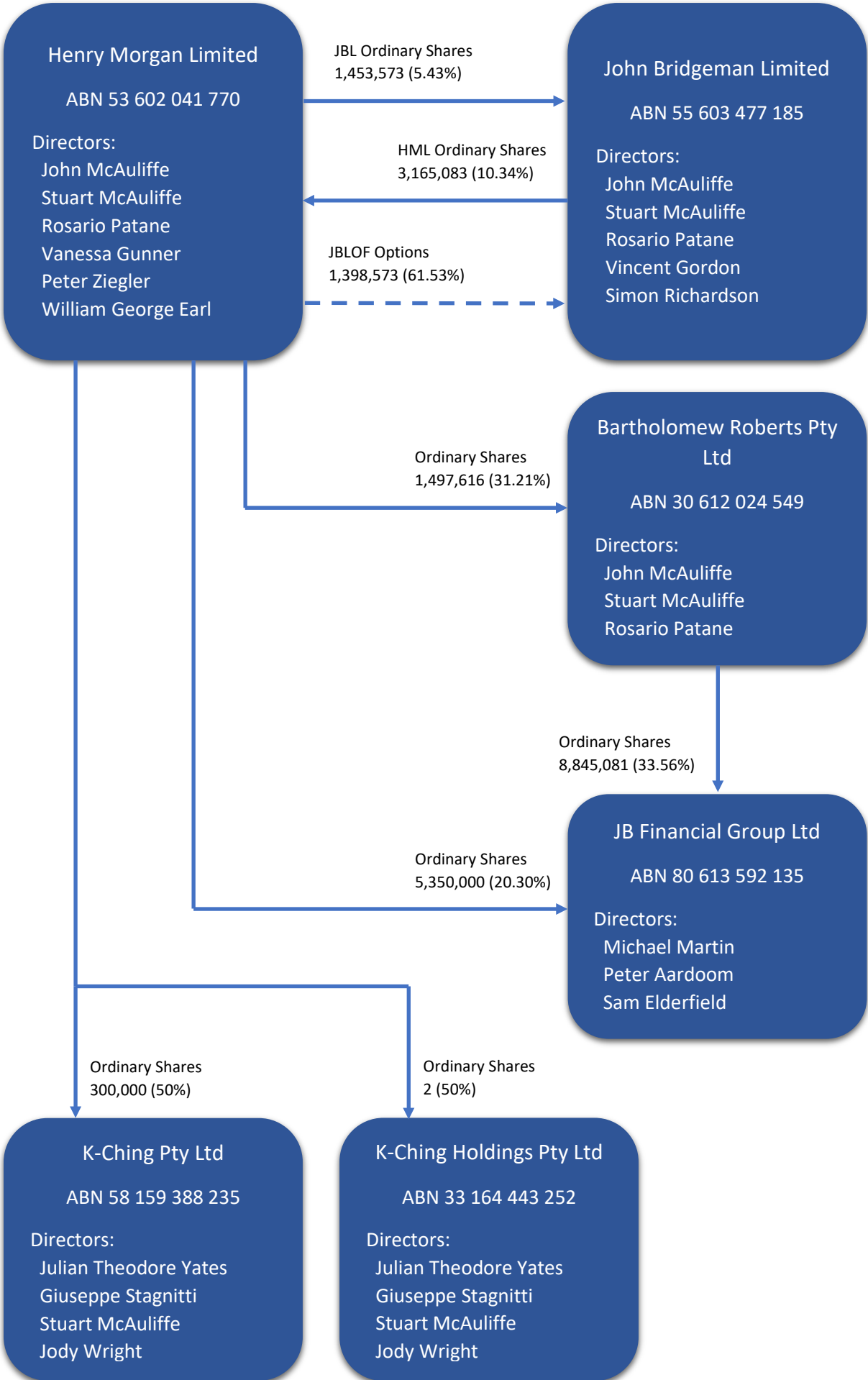


Henry Morgan

Yours faithfully

**Kevin Mischewski**  
Company Secretary  
**Henry Morgan Limited**

**ANNEXURE A.**





14 February 2018

Mr Kevin Mischewski  
Company Secretary  
Henry Morgan Limited  
GPO Box 3112  
Brisbane QLD 4000

By email: [kmischewski@henrymorgan.com.au](mailto:kmischewski@henrymorgan.com.au)

Dear Mr Mischewski,

**Henry Morgan Limited (“HML”): aware query**

ASX Limited (“ASX”) refers to the following:

- A. HML’s announcement titled “Business update” released on the ASX Market Announcements Platform on 12 December 2016, disclosing that JB Broking Ltd, since renamed JB Financial Group Ltd (“JBFG”), had forecast a net profit of \$5,579,000 for the fiscal year 2017:

The Board of JB Broking Ltd has advised Henry Morgan Limited, as a significant shareholder, that it has resolved to explore various liquidity opportunities, including undertaking a capital raising and/or applying for a stock exchange listing in the New Year. The company intends to offer stock at a conservative multiple of 14.9 times forecast earnings, compared to the average multiple of global peers at 25 times earnings. Management of JB Broking Ltd has forecast a net profit of \$5,579,000 for the fiscal year 2017 and a market valuation of \$83 million.

- B. HML’s announcement titled “Corrective disclosure and update as to Final Stop Order and Statement of Reasons” lodged on the ASX Market Announcements Platform on 15 August 2017 whereby HML retracted statements made on 26 May 2017 about JBFG’s turnover and staff numbers as follows:

The Company accordingly retracts this statement. In the following table the Company sets out the annualised revenue, employees and contractors of JB Financial as at 26 May 2017, and by way of comparison those same numbers as at the date of this announcement:

	26 May 2017	14 August 2017**
Annualised Turnover*	\$10,755,979	\$55,223,726
Employees	67	194
Contractors	1	791

\*The "Annualised Turnover" (the **Turnover**) is the annual turnover for the entities for the 2016/2017 financial year, that the Company as at 26 May 2017 controlled or anticipated controlling, and then again as at 14 August 2017. The Company notes that the Turnover as at 14 August 2017 includes the Turnover for the entities which the Company as at 26 May 2017 controlled or anticipated controlling, in addition to the Turnover for those entities which were controlled by, or which the Company as at 14 August 2017 anticipated controlling.

\*\*The Turnover and the numbers of "Employees" and "Contractors" (the **Headcount**), assume the completion of the acquisition of 100% of the issued share capital of Genesis Proprietary Trading Pty Ltd, which was the subject of an announcement by the Company to the market on 23 June and 15 August 2017 (the **Genesis Acquisition**). The Company notes that the agreement for the Genesis Acquisition is unconditional. The parties aim to complete the Genesis Acquisition on or about 7 September 2017. The Company knows of no reason why the Genesis Acquisition will not complete as planned. The Company further notes that it is informed by JB Financial that JB Financial knows of no reason why the Genesis Acquisition will not complete as planned. However, the Company also notes that every transaction is subject to some degree of completion risk. If the Genesis Acquisition does not complete, then the Turnover and/or Headcount will not be achieved and in which case, the Company will update the market accordingly.

- C. HML's announcement titled "JB Financial update – agreement for the acquisition of Genesis Proprietary Trading" lodged on the ASX Market Announcements Platform on 15 August 2017, regarding the acquisition of Genesis Proprietary Trading Pty Ltd ("Genesis") by JBFG, which states that the revenue expected for Genesis in FY2016/17 is approximately \$22.1 million:

Based on internal management accounts, Genesis' expected EBITDA for FY2016/17 is approximately \$0.7 million on revenue of approximately \$22.1 million. Significant synergies are expected to be achieved post-acquisition, including reduced dealing, operational and management costs through scale. It is anticipated that these cost savings will increase the EBITDA attributable to the Genesis business to a forecast \$1.7 million for FY2017/18.

- D. The annual report of JBFG for the period ended 30 June 2017 lodged on the ASX Market Announcements Platform on 25 January 2018 ("JBFG Annual Report"), which shows that for the period ended 30 June 2017, JBFG had total income of \$6,444,500 and a net loss of \$206,990:

### Operating results

The following table shows a summary of financial highlights:

	<b>2017</b>
	<b>\$</b>
Operating revenue	6,444,500
Loss before tax	300,520
Loss after tax	206,990
Income tax benefit	93,530
Dividends paid	-

- E. HML’s announcement titled “JB Financial Group Ltd update – Risk & Security Management” lodged on the ASX Market Announcements Platform on 23 June 2017, regarding the acquisition of Risk & Security Management Pty Ltd (“RSM”) by JBFG which stated:

*“RSM’s expected actual EBIT for FY2016/17 is approximately \$2.6 million including acquisition and transition costs, on approximately \$27 million of revenue”.*

- F. The annual report of RSM for the period ended 30 June 2017, which shows that for the period from 21 June 2016 to 30 June 2017, RSM’s “Total income” was \$3,813,891 and its “Loss before income tax” was \$2,577,542:

**Risk & Security Management Pty Ltd ACN 613 136 048**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>Note</b>	<b>21 June 2016 to 30 June 2017 \$</b>
<b>Income</b>		
Professional services income	B1	3,808,504
Other income		5,387
<b>Total income</b>		<u>3,813,891</u>
<b>Expenses</b>		
Professional services fees	B2	(3,435,477)
Employee benefits expense	B2	(2,005,860)
Administrative expenses		(442,409)
Other expenses	B2	(507,687)
<b>Total expenses</b>		<u>(6,391,433)</u>
<b>Loss before income tax</b>		<u>(2,577,542)</u>
Income tax benefit	B3	771,746
<b>Loss for the period attributable to owners of the Company</b>		<u>(1,805,796)</u>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences on foreign operations		(1,410)
<b>Other comprehensive income for the period</b>		<u>(1,410)</u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<u>(1,807,206)</u>

- G. HML’s announcement on 15 August 2017 of the appointment of BDO Corporate Finance (Qld) Ltd (“BDO”) to review the valuation of HML’s unlisted investments for the purposes of calculating HML’s net tangible asset backing under Listing Rule 4.12.
- H. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- I. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

*“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity”*

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

- J. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

Having regard to the above, ASX asks HML to respond separately to each of the following questions and requests for information:

1. Please provide a diagram clearly showing the interrelationships between HML, John Bridgeman Limited, Bartholomew Roberts Ltd, JBFG, K-Ching Holdings Pty Ltd and K-Ching Pty Ltd. As a minimum, the diagram should show common directors, shareholdings and loans between these entities, as well as any other relevant agreements or connections between the entities.
2. When did HML become aware that the actual net profit of JBFG would vary significantly from the estimate provided to the market on 12 December 2016?
3. Does HML consider the net profit performance of JBFG for the period ended 30 June 2017 to be information that a reasonable person would expect to have a material effect on the price of value of HML’s securities? If the answer is “no”, please explain the basis for this view.
4. If the answer to question 3 is “yes”, why was no update provided to the market when HML became aware that the actual net profit performance of JBFG would vary significantly from the estimate provided in the 12 December 2016 announcement?
5. Please explain the basis for the statement made by HML on 12 December 2016 that the forecast net profit of JBFG was \$5,579,000.
6. Does HML consider that the estimated “annualised turnover” for JBFG of \$55,223,726 announced on 15 August 2017 has been achieved? If so, please explain the basis for that view. If not, please explain the basis for the statement made by HML on 15 August 2017.



ASX notes that JBFG's actual total income for the period ended 30 June 2016 was \$6,444,500 and according to page 32 of JBFG's 2017 Annual Report, if HPH Holdings Pty Ltd, King's Currency Exchange Pty Ltd and RSM were held by JBFG for the entire financial year (rather than being acquired part way through the year), this would have resulted in revenues of an additional \$6,957,877 (i.e. total income for JBFG would have been \$13,402,377). Adding the expected revenue for Genesis of \$22.1 million announced by HML on 15 August 2017 to this figure gives total revenues of \$35.5 million, still almost \$20 million below HML's estimate.

7. If the estimated annual turnover for JBFG was not achieved, when did HML become aware that the actual annual turnover for JBFG would vary significantly from the estimate provided to the market on 15 August 2017?
8. Does HML consider the annual turnover of JBFG for the period ended 30 June 2017 to be information that a reasonable person would expect to have a material effect on the price of value of HML's securities? If the answer is "no", please explain the basis for this view.
9. If the answer to question 8 is "yes", why was no update provided to the market when HML became aware that the actual annual turnover of JBFG would vary significantly from the estimate provided in the 15 August 2017 announcement?
10. When did HML become aware that the actual revenue and earnings performance of RSM would vary significantly from the estimate in the announcement of 23 June 2017?
11. Does HML consider the revenue and earnings performance of RSM for the period ended 30 June 2017 to be information that a reasonable person would expect to have a material effect on the price of value of HML's securities? If the answer is "no", please explain the basis for this view.
12. If the answer to question 11 is "yes", why was no update provided to the market when HML became aware that the actual revenue and earnings performance of RSM would vary significantly from the estimate provided in the 23 June 2017 announcement?
13. Please explain the basis for the statement made by HML on 23 June 2017 that it expected RSM's actual revenues and EBIT to be approximately \$27 million and \$2.6 million respectively.
14. Please provide an update on BDO's review of HML's monthly NTA calculation, including why it is taking so long and how much longer HML anticipates it may take.
15. Please confirm that HML is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
16. Please confirm that HML's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HML with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (i.e.: before 9.30 a.m. AEDT on Tuesday, 20 February 2018).

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, HML's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [lisa.banh@asx.com.au](mailto:lisa.banh@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

**Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to HML's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that HML's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

Lisa Banh  
Senior Listings Adviser, Listings Compliance