



Henry Morgan

HENRY MORGAN LIMITED
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13 November 2018

Ms Lisa Banh
Senior Adviser, Listings Compliance (Sydney)
ASX Limited
20 Bridge Street
Sydney NSW 2000

Email: lisa.banh@asx.com.au

Dear Ms Banh,

HENRY MORGAN LIMITED ("HML," "the Company"): ASX QUERY

1. The board of HML considered that an unsecured loan of \$2,411,000 for the term and at the stipulated interest rate to JBL was an appropriate use of HML's cash available for investment. HML was sufficiently knowledgeable about the circumstances of the transaction to be able to form a sound judgement as to what was in the best interests of the Company, including being able to satisfy itself of the ability of JBL to service and repay the loan. The \$250,000 impairment of the loan to Growth Point Capital Pty Ltd was not considered significant or relevant in the context of HML's investment decision.
2. The revised "NTA after tax" figures in the NTA Announcement has been found to contain transposition errors for the 30 June 2018 and 31 July 2018 figures. The NTA before tax numbers were inadvertently repeated in the NTA after tax cells. The correct numbers are:
 - 30 June 2018: NTA after tax \$1.1226
 - 30 July 2018: NTA after tax \$1.1099

All other numbers in the table are correct. The corrected table is provided at Annexure A.

3. Refer to Annexure B.
4. HML's estimate of fair value for its unlisted investments used in calculating each month-end NTA backing figure in the NTA Announcement is considered to comply with the requirement in ASX's definition of net tangible asset backing. HML considers that the value ascribed to each of the Company's unlisted investments does not exceed their recoverable amount.
5. In addition to annual reconciliation adjustments recorded when closing the accounts, material adjustments to the recorded carrying amounts of HML's assets were indicated by HML's auditors one week prior to the Annual Financial Report lodgement deadline of 28 September 2018. HML subsequently reviewed the NTAs announced for June 2018, July 2018 and August 2018. HML recorded the necessary adjustments, recalculated the NTAs for each month and promptly disclosed the revised NTAs on 15 October 2018.



Reconciliation of originally reported NTA backing before tax to revised NTA backing before tax		
	Net Assets	NTA per share
As originally reported as at 30 June 2018	\$51,901,976	\$1.6953
<i>Adjustments recorded in Annual Financial Report:</i>		
Investment in JB Financial Group Pty Ltd	\$(6,901,500)	\$(0.2254)
Investment in Bartholomew Roberts Pty Ltd	\$(5,288,794)	\$(0.1727)
Investment in John Bridgeman Limited - Ordinary shares	\$(650,765)	\$(0.0213)
Investment in John Bridgeman Limited - Options	\$(30,768)	\$(0.0010)
Investment in K-Ching Pty Ltd	\$(200,000)	\$(0.0065)
Receivable from JBL	\$(244,554)	\$(0.0080)
Other assets	\$(1,204,098)	\$(0.0394)
Net adjustments	\$(14,520,479)	\$(0.4743)
Revised as at 30 June 2018	\$37,381,497	\$1.2210

6. Refer to Annexure C.
7. Refer Annexure C.
8. For GST purposes, HML is an input-taxed supplier and accordingly does not recover GST paid. The Australian Accounting Standards Board "*Urgent Issues Group Interpretation 1031 Accounting for the Goods and Service Tax (GST)*" (**Interpretation 1031**) requires that "*the amount of GST incurred by a purchaser that is not recoverable from the taxation authority shall be recognised ... as part of an item of expense.*" HML is required to include the GST amount in the management and performance fee expense disclosed in its annual report.

Conversely, JBL as a supplier of services is required to remit GST it receives from customers to the ATO. For JBL, Interpretation 1031 requires that "*Revenues, expenses and assets shall be recognised net of the amount of goods and services tax (GST)*". JBL is required to exclude the GST amount from the management and performance fee income disclosed in its annual report.
9. Refer Annexure C.
10. Refer Annexure C. All reconciliation adjustments are recorded as an adjustment to amounts payable to JBL. Short payment adjustments are paid to JBL and overpayment adjustments reduce any amounts due and payable to JBL in the following month.
11. The latest accounts for Bartholomew Roberts Ltd were released to the market on 26 March 2018 for the financial period ending 31 December 2017. Bartholomew Roberts Pty Ltd is not required to prepare, and has not prepared, separate accounts for the financial year ended 30 June 2018. HML has directed Bartholomew Roberts to provide accounts to enable the Company to comply with the ASX's request in accordance with listing rule 4.9. The accounts will be released to the market as soon as they are provided by Bartholomew Roberts Pty Ltd to the Company.
12. HML confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
13. HML's responses to the questions above have been authorised and approved in accordance with the Company's 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



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ANNEXURE A**Net Tangible Assets (NTA) Per Share**

Henry Morgan Limited (ASX: HML) sets out below the indicative estimate¹ of the unadjusted net tangible assets (**NTA**) of the Company's investment portfolio as at 30 September 2018.

Following completion of the Company's 2018 Audited Financial Report, the monthly NTA amounts from June 2018 have also been revised to align with the audited accounts:

	30 June 2018		31 July 2018		31 August 2018		30 Sept 2018
	Unaudited	Revised	Unaudited	Revised	Unaudited	Revised	
NTA before tax	\$1.6953	\$1.2210	\$1.6992	\$1.2083	\$1.4358	\$1.2158	\$1.1896
Deferred tax asset on carry forward realised losses	\$0.0602	\$0.1203	\$0.1079	\$0.1203	\$0.1204	\$0.1139	\$0.1139
Deferred tax liability on unrealised income and gains	\$(0.3135)	\$(0.2187)	\$(0.3522)	\$(0.2187)	\$(0.2724)	\$(0.2070)	\$(0.2070)
NTA after tax	\$1.4420	\$1.1226	\$1.4549	\$1.1099	\$1.2838	\$1.1227	\$1.0965

¹ Unless otherwise indicated, the estimates do not include the impact of corporate actions for the month-to-date. The indicative estimates provided in this announcement are after accrued performance fees. The indicative estimates are based primarily on internal data and, being estimates, should not be relied upon by any party.



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ANNEXURE B

	30 Jun 2018	31 Jul 2018	31 Aug 2018	30 Sep 2018
Variable A (Total assets)				
Cash & cash equivalents	\$314,729	\$262,149	\$2,287,656	\$1,568,498
Balances held with brokers	\$122,073	\$0	\$36,504	\$0
Term deposits	\$52,018	\$52,018	\$0	\$0
Derivative financial assets:				
Investment in John Bridgeman Limited - Options	\$60,139	\$60,139	\$0	\$0
Current tax receivable	\$187,746	\$187,746	\$187,746	\$187,746
Loans and receivables:				
Loans and receivables	\$368,016	\$428,207	\$387,009	\$394,441
Receivable from John Bridgeman Limited	\$6,251	\$0	\$1,047	\$1,047
Loan to John Bridgeman Limited	\$0	\$0	\$2,411,000	\$2,411,000
Investments at fair value through profit or loss:				
Foreign currency banknotes	\$645,604	\$642,223	\$645,279	\$655,514
Investment in John Bridgeman Limited - Ordinary shares	\$1,994,738	\$1,994,738	\$75,350	\$75,350
Investment in Benjamin Hornigold Ltd	\$48,308	\$48,308	\$48,308	\$48,308
Investment in JB Financial Group Pty Ltd	\$24,877,500	\$24,877,500	\$24,877,500	\$24,877,500
Investment in Bartholomew Roberts Pty Ltd	\$8,825,354	\$8,825,354	\$8,825,354	\$8,825,354
Investment in K-Ching Pty Ltd	\$100,000	\$0	\$0	\$0
Prepayments	\$16,644	\$13,271	\$9,899	\$6,636
Total Variable A	\$37,619,120	\$37,391,652	\$39,792,652	\$39,051,393
Variable I (Intangible assets)	\$0	\$0	\$0	\$0
Variable L (Total liabilities)	\$3,248,997	\$3,409,270	\$3,476,431	\$3,581,993
NTA after tax (A - I - L)	\$34,370,123	\$33,982,382	\$36,316,221	\$35,469,400
Provision for tax	\$3,011,374	\$3,011,374	\$3,011,374	\$3,011,374
NTA before tax (NTA after tax + Provision for tax)	\$37,381,497	\$36,993,756	\$39,327,596	\$38,480,774
 Variable N (Number of shares on issue)	 \$30,615,140	 \$30,615,140	 \$32,346,922	 \$32,346,922
 NTA backing after tax per share	 \$1.1226	 \$1.1099	 \$1.1227	 \$1.0965
NTA backing before tax per share	\$1.2210	\$1.2083	\$1.2158	\$1.1896



ANNEXURE C

HENRY MORGAN LIMITED: Management fee calculation								
Month	NTA after tax \$	Adjustment for tax \$	NTA before tax \$	Add back: Management & performance fees accrued \$	Pre-fee NTA \$	Management fee payable (incl GST) \$	Management fee paid (incl GST) \$	Reconciliation adjustments to fees payable \$
Jul-17	47,202,659	8,709,687	55,912,346	105,623	56,017,969	102,700	105,623	(2,923)
Aug-17	47,747,073	8,709,687	56,456,760	94,742	56,551,502	103,678	94,742	8,936
Sep-17	47,023,178	8,709,687	55,732,865	253,904	55,986,769	102,642	102,531	111
Oct-17	46,921,799	8,709,687	55,631,486	101,984	55,733,470	102,178	101,984	194
Nov-17	46,851,872	8,709,687	55,561,559	0	55,561,559	101,863	0	101,863
Dec-17	48,221,060	8,917,894	57,138,954	282,457	57,421,411	105,273	205,249	(99,976)
Jan-18	48,035,447	8,917,894	56,953,341	101,342	57,054,683	104,600	101,342	3,258
Feb-18	44,699,815	9,598,558	54,298,373	94,408	54,392,781	99,720	94,408	5,313
Mar-18	44,429,870	9,598,558	54,028,428	94,784	54,123,212	99,226	94,784	4,442
Apr-18	44,193,800	9,598,558	53,792,358	93,825	53,886,183	98,791	93,825	4,967
May-18	43,340,018	9,598,558	52,938,576	95,339	53,033,915	97,229	95,339	1,890
Jun-18	34,370,123	3,011,374	37,381,497	396,212	37,777,709	69,259	104,955	(35,695)
Financial Year 2018 Management fees						1,187,159	1,194,780	(7,622)
Jul-18	33,982,382	3,011,374	36,993,756	95,204	37,088,960	67,996	95,204	(27,207)
Aug-18	36,316,221	3,011,374	39,327,595	80,395	39,407,990	72,248	80,395	(8,147)
Sep-18	35,469,400	3,011,374	38,480,774	70,220	38,550,994	70,677	70,220	457
Oct-18	35,621,815	3,011,374	38,633,189	70,612	38,703,801	70,957	70,612	345
Year to date Financial Year 2019 Management fees						281,878	316,430	(34,552)



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ANNEXURE C - continued

HENRY MORGAN LIMITED: Performance fee calculation							
Quarter ended	Quarterly high water mark hurdle	Pre-fee NTA at end of quarter \$	Adjust for movements in issued share capital \$	Investment return \$	Performance fee payable (incl GST) \$	Performance fee paid (incl GST) \$	Reconciliation adjustments to fees payable \$
Sep-17	55,323,711	55,986,769	5,000	658,058	166,489	151,373	15,116
Dec-17	55,986,769	57,421,411	0	1,434,642	362,964	77,208	285,756
Mar-18	57,421,411	54,123,212	0	0	0	0	0
Jun-18	57,421,411	37,777,709	0	0	0	0	0
Dec-17 Reconciling amount payable (paid June 2018)					0	291,257	(291,257)
Financial Year 2018 Performance fees					529,453	519,838	9,615
Sep-18	57,421,411	38,550,994	1,731,782	0	0	0	0
Year to date Financial Year 2019 Performance fees					0	0	0



7 November 2018

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

By email: kmischewski@henrymorgan.com.au

Dear Mr Mischewski,

Henry Morgan Limited ("HML"): ASX Query

ASX Limited ("ASX") refers to the following:

- A. HML's full year audited accounts as at 30 June 2018 released on the ASX Market Announcements Platform on 1 October 2018 ("FY Accounts") which makes note of the following events after the reporting period:

Note 25. Events after the reporting period (continued)

Sale of shares in a buy-back transaction

On 3 August 2018, 1,398,573 shares held by the Company in the John Bridgeman Limited were bought back by John Bridgeman Limited at \$2.05 for each share with its one attached option. The sale on 3 August 2018 had the effect of cancelling the acquisition of these shares (and attached options) which were purchased at that same price on 17 November 2017. Total cash received by the Company on disposal was \$2,867,074. At 30 June 2018 the carrying amount of the shares and options disposed was \$2,054,877. The net realised gain on the disposal of these securities was \$812,197. After the buy-back the Company holds 55,000 shares in the Investment Manager and no options.

Loan to John Bridgeman Limited

On 8 August 2018 the Company made a loan of \$2,411,000 to the John Bridgeman Limited for a term of one year at 11.5% pa interest.

- B. Note 10 of the FY Accounts which is as follows:

Note 10. Loans and receivables

	2018 \$	2017 \$
Trade receivables	113,228	918,721
Short-term loan (a)	221,884	-
Other receivables	39,155	87,061
	<u>374,267</u>	<u>1,005,782</u>

(a) On 10 July 2017, the Company entered into a short term agreement with Growth Point Capital Limited ("GPC") (a controlled entity of the Investment Manager for accounting standard purposes). A maturity date of one year from the advance date applies, together with a 5% p.a. interest rate. Should the Company elect, the loan may be repaid wholly or in part by way of shares of Growth Point Capital.

On the 10 July 2018, the loan was extended until 7 January 2020. Management have considered the recoverability of the loan and have impaired the asset by \$250,000 based on estimates of the recoverable amount that Growth Point Capital Limited is expected to be able to repay. Subsequent to the year end, all of the accrued interest and 5% of the loan capital has been repaid.

- C. Note 6 of the FY Accounts which provides the following breakdown of the \$1,714,418 management and performance fees paid to John Bridgeman Limited ("JBL") for the year ended 30 June 2018:

Note 6. Management and performance fees

In accordance with the Management Services Agreement ("MSA") dated 12 March 2015, the Investment Manager will receive a management fee of 2% 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.

The investment return is defined as the percentage by which the mark-to-market value (excluding estimated taxes) at the end of the last day of the relevant quarter exceeds the mark-to-market value (excluding estimated taxes) 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 back and payment of dividends.

The Investment Manager has charged management fees of \$1,194,780 (30 June 2017: \$796,168) and performance fees of \$519,638 (30 June 2017: \$7,799,723) during the period. As at 30 June 2018 all fees payable to the Investment Manager were paid.

- D. Note 42 on page 65 of the full year audited accounts for the year ended 30 June 2018 for JBL lodged on the NSX Market Announcements Platform on 22 October 2018 ("JBL Accounts"), which states that HML was charged management fees of \$1,092,427 and performance fees of \$472,398.
- E. Listing rule 4.9 which states the following:

Disclosure if ASX asks

4.9 If *securities in an unlisted entity, or loans or advances to it, are included in a listed entity's assets, the listed entity must give ASX the latest *accounts of the unlisted entity if ASX asks.

Introduced 01/07/96 Origin: Listing Rule 3J(4) Amended 01/07/98, 01/07/00

Cross reference: Listing rule 19.11A.

- F. HML's announcement titled "Net Tangible Asset Backing" released on the ASX Market Announcements Platform on 15 October 2018 ("NTA Announcement"), providing HML's estimated NTA for 30 September and also revising the June, July and August NTAs to align with HML's audited accounts as follows:

	30 June 2018		31 July 2018		31 August 2018		30 Sept 2018
	Unaudited	Revised	Unaudited	Revised	Unaudited	Revised	
NTA before tax	\$1.6953	\$1.2210	\$1.6992	\$1.2083	\$1.4358	\$1.2158	\$1.1896
Deferred tax asset on carry forward realised losses	\$0.0602	\$0.1203	\$0.1079	\$0.1203	\$0.1204	\$0.1139	\$0.1139
Deferred tax liability on unrealised income and gains	\$(0.3135)	\$(0.2187)	\$(0.3522)	\$(0.2187)	\$(0.2724)	\$(0.2070)	\$(0.2070)
NTA after tax	\$1.4420	\$1.2210	\$1.4549	\$1.2083	\$1.2838	\$1.1227	\$1.0965

G. The following definition of “net tangible asset backing” in listing rule 19.12:

net tangible asset backing for the purpose of rule 4.12 in relation to a +class of +securities,

$$\frac{(A - I - L)}{N}$$

A = total assets. In calculating this, the value of investments at the end of the month are calculated at “net market value” (that is, the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of the disposal). The value of investments, except quoted +securities of listed entities, is calculated at cost or valuation. Valuation must not exceed the recoverable amount.

Note: The net market value definition is taken from Australian Accounting Standard AASB 1023.

I = intangible assets.

L = total liabilities ranking ahead of, or equally with, claims of that +class of +securities. In calculating this, total liabilities include each of the following.

- Provisions for tax on realised income and gains.
- Provisions for tax on estimated unrealised income and gains. Alternatively, the entity may disclose the net tangible asset backing per +security before and after providing for the estimated tax on unrealised income and gains.
- Provisions for declared, but unpaid, dividends or distributions if the +securities are still quoted on a basis that includes the dividend or distribution on the date on which the net tangible asset backing is reported.

- Provisions for unpaid management fees earned.

Example: Liabilities ranking ahead of, or equally with, fully paid ordinary shares in a parent entity will include all liabilities, preference share entitlements, and outside equity interests.

$N =$ total number of +securities on issue in that +class. In calculating this, partly paid +securities which are in that +class when paid up are taken into account by assuming that the unpaid amount is paid.

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

1. Please explain the rationale for HML loaning JBL \$2,411,000 on 8 August 2018, particularly in light of the significant impairment suffered on the short term loan to Growth Point Capital Limited (a controlled entity of JBL for accounting purposes). What analysis did the board of HML conduct to satisfy itself of the ability of JBL to service and repay the loan and is the loan secured?
2. Please confirm that the revised "NTA after tax" figures in the NTA Announcement are correct as at 30 June 2018, 31 July 2018 and 30 September 2018. ASX notes for example that for 30 June 2018, NTA before tax is given as \$1.2210, the deferred tax asset as \$0.1203 and the deferred tax liability as \$0.2187, implying an NTA after tax of $\$1.2210 + \$0.1203 - \$0.2187 = \1.1226 (whereas the NTA Announcement states this as \$1.2210). There appear to be similar discrepancies for the revised 31 July and 30 September NTA after tax figures.
3. Using the formula for net tangible asset backing extracted above, please provide a detailed breakdown of how HML has calculated each month end NTA backing figure in the NTA Announcement, showing separately for each month the values attributed to each asset included in variable "A" and the values attributed to each of variables "I", "L" and "N". For each of the month-end NTA calculations, please also show separately the provisions for unpaid management fees earned.
4. Please specifically confirm that HML's estimate of the fair value for its unlisted investments used in calculating each month end NTA backing figure in the Announcement complies with the requirement in ASX's definition of net tangible asset backing that the value ascribed to such investments does not exceed their recoverable amount.
5. Please explain in detail the reasons for the drop in the NTA backing before tax originally reported for 30 June 2018 of \$1.6953 and the revised NTA backing before tax reported for 30 June 2018 in the NTA Announcement of \$1.2210.
6. For the period covered in the NTA Announcement, please set out clearly each monthly calculation of the management fee and each quarterly calculation of the performance fee.
7. How much did HML pay JBL for management fees, and how much did it pay for performance fees for the year ended 30 June 2018?
8. Please explain the reason for the different amounts shown for the management fee and performance fee paid to JBL for the year ended 30 June 2018 in the JBL accounts and the FY Accounts.
9. Please provide the calculation, showing the working, setting out the management fee and the performance fee payable for the year ended 30 June 2018.
10. Has HML overpaid management fees or performance fees for the year ended 30 June 2018, or for the months ended 31 July 2018 or 31 August 2018, as a result of the downward revision of NTA as at the end of June, July and August in the NTA Announcement? If so, what is the amount of overpayment for each of these periods, how much has been refunded and how much is yet to be refunded?
11. In accordance with listing rule 4.9, please provide for release to the market the latest accounts for Bartholomew Roberts Pty Limited.

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12. Please confirm that HML is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
 13. Please confirm that 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.

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 9.30am AEDT on Friday, 9 November 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. 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.

Kind regards

[Sent electronically without signature]

Lisa Banh

Senior Adviser, Listings Compliance (Sydney)

T 02 9227 0000

E lisa.banh@asx.com.au