

Henry Morgan Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Henry Morgan Limited
ACN:	602 041 770
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	180.9% to	(3,055,145)
Loss from ordinary activities after tax attributable to the owners of Henry Morgan Limited	down	686.9% to	(3,503,723)
Loss for the half-year attributable to the owners of Henry Morgan Limited	down	686.9% to	(3,503,723)
		31 December 2018 Cents	31 December 2017 Cents
Basic earnings per share		(11.02)	2.71
Diluted earnings per share		(11.02)	2.46

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Company after providing for income tax amounted to \$3,503,723 (31 December 2017: profit of \$596,996).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>100.78</u>	<u>112.27</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

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Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Henry Morgan Limited for the half-year ended 31 December 2018 is attached.

12. Signed

Signed 

Date: 28 February 2019

Henry Morgan Limited

ACN 602 041 770

Interim Report - 31 December 2018

Henry Morgan Limited
Directors' report
31 December 2018

Introduction

The directors present their report, together with the financial statements, of Henry Morgan Limited (referred to hereafter as the 'Company') for the half-year ended 31 December 2018.

Directors

The following persons were directors of Henry Morgan Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John McAuliffe AM - Non-Executive Chairman
Stuart McAuliffe - Managing Director
Rosario (Ross) Patane - Non-Executive Director
Vanessa Gunner - Non-Executive Director
Peter Ziegler - Non-Executive Director
Dr William (George) Earl - Non-Executive Director (resigned 21 November 2018)

Principal activities

The Company is a Listed Investment Company ("LIC") providing investors with the opportunity to gain exposure to an actively managed investment portfolio. The Company is externally managed by John Bridgeman Limited ("JBL" also "the Investment Manager") pursuant to the Management Services Agreement entered into by the parties on 12 March 2015. The Company's investment portfolio invests in global markets through derivative instruments providing exposure to equities, equity indices, bonds, currencies and commodities. The Company also invests in listed and unlisted securities and in foreign currency banknotes with the aim of achieving above average risk-adjusted returns (whilst limiting volatility) over the medium to long term.

Review of operations for the interim period

The loss for the Company after providing for income tax amounted to \$3,503,723 (31 December 2017: profit of \$596,996).

The decrease in profit before tax of \$5,858,170 for the period included a decrease in revenue of \$6,833,725, offset by a decrease in expenses of \$975,555 which represents cost savings across most areas of the business driven primarily by a decrease in management and performance fees of \$479,335, a decrease in brokerage and commission expense of \$298,667 and a decrease in accounting and audit expense of \$160,551.

Significant changes in the state of affairs

On 31 October 2018, John Bridgeman Limited (JBL) announced to the market in a bidder's statement an offer to acquire all of the Company's shares. In the offer, JBL offered 0.95 JBL shares for each of the Company's shares.

There were no other significant changes in the state of affairs of the Company during the financial half-year.

Matters subsequent to the end of the half financial year

On 10 September 2018, JBL announced its intention to make scrip off-market takeover bids to acquire all of the issued shares in the Company that it did not currently own (Bid). JBL declared the Bid free from conditions on 24 December 2018.

On 28 December 2018, an application was made by certain shareholders in the Company to the Takeovers Panel in respect of the Bid. At the time of the application, JBL had a relevant interest in 53.56% of the shares in the Company.

The Takeovers Panel determined to hear the application, and issued orders preventing JBL from processing acceptances received under the Bid.

On 25 January 2019, the Panel made a declaration of unacceptable circumstances in relation to the affairs of the Company, and made final orders. The effect of the final orders is that:

Henry Morgan Limited
Directors' report
31 December 2018

- on 19 February 2019, all acceptances received by JBL under the bid were cancelled;
- in order to proceed with the Bid, JBL and the Company must dispatch supplementary information to all target shareholders explaining among other things the effect of the Panel's declaration and orders;
- JBL must then issue either a replacement bidder's statement including certain information prescribed in the orders or a supplementary bidder's statement stating the bid is closed or has been cancelled;
- If JBL does not dispatch the replacement bidder's statement before the dates specified in the orders, and the bid remains on foot, the bid is cancelled; and
- If the bid is not cancelled, within a certain period of JBL dispatching its replacement bidder's statement, the Company must dispatch a supplementary target's statement and supplementary independent expert's report to shareholders which specifically consider certain matters outlined in the orders.

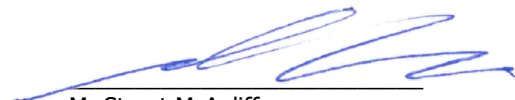
No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Stuart McAuliffe
Managing Director

28 February 2019



PITCHER PARTNERS

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The Directors
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BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
28 February 2019

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

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Henry Morgan Limited
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Henry Morgan Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Revenue			
	5	(3,177,725)	3,764,469
Interest revenue calculated using the effective interest method		<u>122,580</u>	<u>14,111</u>
Total revenue		<u>(3,055,145)</u>	<u>3,778,580</u>
Expenses			
Accounting and audit costs		(348,324)	(508,875)
Management and performance fees	6	(407,826)	(887,161)
Consultancy fees		(50,785)	(27,269)
Broker commissions and exchange fees		(584,358)	(883,025)
Directors' fees		(230,314)	(206,890)
Legal fees		(247,602)	(288,890)
Other expenses		(80,964)	(123,618)
Total expenses		<u>(1,950,173)</u>	<u>(2,925,728)</u>
Profit/(loss) before income tax (expense)/benefit		(5,005,318)	852,852
Income tax (expense)/benefit	7	<u>1,501,595</u>	<u>(255,856)</u>
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Henry Morgan Limited		(3,503,723)	596,996
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Henry Morgan Limited		<u>(3,503,723)</u>	<u>596,996</u>
		Cents	Cents
Basic earnings per share	14	(11.02)	2.71
Diluted earnings per share	14	(11.02)	2.46

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

Henry Morgan Limited
Statement of financial position
As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
Assets			
Cash and cash equivalents	8	1,415,763	314,729
Balances held with brokers		6,932	122,073
Term deposits		-	52,018
Derivative financial assets		-	60,139
Investments at fair value through profit or loss	10	30,108,905	36,491,504
Loans and receivables	9	2,668,881	374,267
Prepayments		-	16,644
Current tax receivable	7	-	187,746
Total assets		<u>34,200,481</u>	<u>37,619,120</u>
Liabilities			
Derivative financial liabilities		-	70,794
Trade and other payables		280,265	166,828
Income tax payable	7	207,398	-
Deferred tax liability	7	<u>1,114,635</u>	<u>3,011,374</u>
Total liabilities		<u>1,602,298</u>	<u>3,248,996</u>
Net assets		<u>32,598,183</u>	<u>34,370,124</u>
Equity			
Issued capital	12	32,614,781	30,882,999
Retained profits/(accumulated losses)		<u>(16,598)</u>	<u>3,487,125</u>
Total equity		<u>32,598,183</u>	<u>34,370,124</u>

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

Henry Morgan Limited
Statement of changes in equity
For the half-year ended 31 December 2018

	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	30,877,999	16,741,066	47,619,065
Profit after income tax expense for the half-year	-	596,996	596,996
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	596,996	596,996
<i>Transactions with owners in their capacity as owners:</i>			
Shares issued on exercise of options	5,000	-	5,000
Balance at 31 December 2017	<u>30,882,999</u>	<u>17,338,062</u>	<u>48,221,061</u>
	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	30,882,999	3,487,125	34,370,124
Loss after income tax benefit for the half-year	-	(3,503,723)	(3,503,723)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(3,503,723)	(3,503,723)
<i>Transactions with owners in their capacity as owners:</i>			
Shares issued on exercise of options	1,731,782	-	1,731,782
Balance at 31 December 2018	<u>32,614,781</u>	<u>(16,598)</u>	<u>32,598,183</u>

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

Henry Morgan Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Net proceeds on sale of investments		1,750,560	2,318,938
Management and performance fees paid		(338,460)	(3,985,242)
Payments from / (to) brokers for initial trading margin		44,347	186,351
Commissions paid to investment brokers		(509,983)	(822,004)
Payments for operating and administrative expenses		<u>(757,780)</u>	<u>(1,839,932)</u>
		188,684	(4,141,889)
Interest received		1,783	1,200
Other revenue - GST refund		804,837	-
Interest and other finance costs paid		(3,178)	(32,039)
Proceeds from repayment of foreign currency notes		645,634	2,900,000
Payment for foreign currency notes		-	(3,414,659)
Proceeds from foreign currency revenue		15,050	-
Matured term deposit		<u>52,018</u>	<u>-</u>
Net cash from/(used in) operating activities		<u>1,704,828</u>	<u>(4,687,387)</u>
Cash flows from investing activities			
Payments for purchase of investments		-	(3,073,475)
Payments for loans		(2,411,000)	(450,000)
Proceeds from loan repayments		75,424	-
Reimbursements of money received in error		-	(495,672)
Proceeds from sale of financial assets (shares)		<u>-</u>	<u>876,991</u>
Net cash used in investing activities		<u>(2,335,576)</u>	<u>(3,142,156)</u>
Cash flows from financing activities			
Proceeds from exercise of options	13	<u>1,731,782</u>	<u>5,000</u>
Net cash from financing activities		<u>1,731,782</u>	<u>5,000</u>
Net increase/(decrease) in cash and cash equivalents		1,101,034	(7,824,543)
Cash and cash equivalents at the beginning of the financial half-year		<u>314,729</u>	<u>9,116,799</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>1,415,763</u></u>	<u><u>1,292,256</u></u>

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

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 1. Reporting Entity

Henry Morgan Limited (the 'Company') is an ASX-listed public investment company domiciled in Australia. These interim financial statements as at and for the period ended 31 December 2018 comprise the Company only.

The annual financial statements of the Company as at and for the year ended 30 June 2018 are available at www.henrymorgan.com.au

The financial statements were authorised by the Board of Directors on 28 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The Company adopted AASB 9 from 1 July 2018. All of the Company's investments in financial assets continue to be accounted for at fair value through profit or loss under the new standard. First time application of AASB 9 has no impact on the Company's accounting for its financial assets. On initial application of AASB 9, the Company also adopted the expected credit loss impairment model. The adoption had no material impact on the carrying value of the Company's receivables.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other factors, including expectations of future events which, management believe to be reasonable under the circumstances. The resulting accounting judgements and estimates may be different from the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what matters are significant to the determination of fair value. Accordingly, the category within which the asset or liability is placed can be subjective.

The fair value of quoted instruments is based on current bid prices. The fair value of privately held investments (and instruments that are linked to their value) which are not currently traded in public market are estimated using valuation techniques, such as the Income Approach, the Market Approach and the Cost Approach; these valuation approaches are included in Level 3 of the hierarchy. 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 third party equity financing or significant change in actual or potential operating performance resulting in a change in valuation, and other pertinent information.

Significant valuation issues are reported to the Board.

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for tax issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Operating segments

Operating segments are identified based on the financial information regularly reviewed by the Managing Director (representing the Chief Operating Decision Maker) in assessing the performance and determining the allocation of resources. As the Company operates in only the financial services segment, all results presented in this financial report relate to this segment.

The Company operates in only one geographical segment being Australia.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 5. Revenue

	31 December 2018	31 December 2017
	\$	\$
<i>Net gains/ (losses) on financial instruments measured at fair value through profit or loss</i>		
Net realised gains/ (losses) from trading activities	(1,249,839)	2,318,938
Net unrealised gains from trading activities	70,749	688,752
Net realised gain from investment activities	887,674	-
Net unrealised gains / (losses) from investment activities	<u>(3,717,734)</u>	<u>587,221</u>
	<u>(4,009,150)</u>	<u>3,594,911</u>
<i>Other revenue</i>		
Foreign exchange gains / (losses) on foreign currency banknotes (a)	12,606	106,367
Trading fee on foreign currency banknotes (a)	13,982	63,191
Other revenue - GST refund (b)	804,837	-
	<u>831,425</u>	<u>169,558</u>
Revenue	<u><u>(3,177,725)</u></u>	<u><u>3,764,469</u></u>

(a) refer to Note 10 for details regarding these other revenue items in respect of foreign currency banknotes.

(b) during the half-year the Company conducted a review of GST payments made during the 2017 and 2018 financial years. The Company has received a refund of GST previously paid in respect of reduced input tax credit amounts available.

Note 6. Management and performance fees

In accordance with the management services agreement 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.

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 back and payment of dividends.

The Manager has charged management fees of \$407,826 (31 December 2017: \$610,129) whilst no performance fees have been charged (31 December 2017: \$277,032) during the period.

Further detail on the contract and termination provisions can be found in the latest annual financial report.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 7. Income tax

	31 December 2018	31 December 2017
	\$	\$
<i>Income tax expense/(benefit)</i>		
Deferred tax - origination and reversal of temporary differences, and movement to current	(1,501,595)	208,207
Prior period adjustments	-	47,649
	<u>(1,501,595)</u>	<u>255,856</u>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit	(5,005,318)	852,852
Tax at the statutory tax rate of 30%	(1,501,595)	255,856
Income tax expense/(benefit)	<u>(1,501,595)</u>	<u>255,856</u>
	31 December 2018	30 June 2018
	\$	\$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued expenses	(20,775)	(41,162)
Capital raising costs (deductible over 5 years)	(50,704)	(57,550)
Capitalised expenses to form part of cost base	(197,084)	(171,576)
Interest receivable	(32,196)	(68,435)
Tax losses	(4,478,744)	(3,323,867)
Net fair value gain on financial assets	5,869,140	6,655,919
Net fair value gain on trading assets	24,998	18,045
	<u>1,114,635</u>	<u>3,011,374</u>
Deferred tax liability		
	31 December 2018	30 June 2018
	\$	\$
<i>Income tax refund due</i>		
Income tax refund due	-	187,746
	<u>-</u>	<u>187,746</u>
	31 December 2018	30 June 2018
	\$	\$
<i>Income tax payable</i>		
Income tax payable	207,398	-
	<u>207,398</u>	<u>-</u>

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 8. Cash and cash equivalents

	31 December 2018	30 June 2018
	\$	\$
Cash at bank	329,792	46,867
Cash held with investment brokers - unrestricted	1,085,971	267,862
	<u>1,415,763</u>	<u>314,729</u>

Note 9. Loans and receivables

	31 December 2018	30 June 2018
	\$	\$
Trade receivables	106,977	113,228
Long-term loans (a)	2,464,729	221,884
Other receivables	97,175	39,155
	<u>2,668,881</u>	<u>374,267</u>

(a) On 8 August 2018 the Company made a loan of \$2,411,000 to JBL for a term of one year at 11.5% pa interest. Subsequent to the period end, all of the accrued interest has been repaid. On 16 October 2018 the term of the loan was extended to 8 February 2020.

On 10 July 2017, the Company advanced \$450,000 to Capital Credit Pty Ltd (Capital Credit) (formerly Growth Point Capital Limited) (a controlled entity of the Investment Manager for accounting standard purposes) for a term of one year from the advance date at a 5% p.a. interest rate. On 24 December 2018, the loan was extended to 31 December 2020. Should the Company elect, the loan may be repaid wholly or in part by way of shares in Capital Credit. At 30 June 2018 an impairment adjustment of \$250,000 was recorded in respect of this loan. At 31 December 2018 the carrying amount of the loan was considered to be fully recoverable.

Note 10. Investments at fair value through profit or loss

	31 December 2018	30 June 2018
	\$	\$
Listed ordinary shares	81,308	2,043,046
Unlisted ordinary shares	30,027,597	33,802,854
Foreign currency banknotes, designated at fair value through profit or loss (a)	-	645,604
	<u>30,108,905</u>	<u>36,491,504</u>

Refer to note 11 for further information on fair value measurement.

(a) Foreign currency banknotes are held in the custody of JBFX Wholesale Pty Ltd (JBFX) (a controlled entity of the Investment Manager for accounting purposes). JBFX has secure storage facilities and operates a wholesale foreign currency business. The banknotes are traded and managed by JBFX on behalf of the Company under a services agreement which provides for a minimum return to the Company of 5% per annum on the Australian dollar value of the banknotes. Realised returns over 5% per annum on the banknotes are retained by JBFX as a fee for trading the banknotes on behalf of the Company. As owner of the banknotes, any foreign exchange movement in the value of the banknotes accrues to the Company. The Company has designated the instrument at fair value through profit or loss.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 11. Fair value measurement

Fair value hierarchy

The following tables detail the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

- 31 December 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Listed ordinary shares	-	-	81,308	81,308
Unlisted ordinary shares	-	-	30,027,597	30,027,597
Total assets	-	-	30,108,905	30,108,905
- 30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Listed ordinary shares	48,308	-	1,994,738	2,043,046
Unlisted ordinary shares	-	-	33,802,854	33,802,854
Listed share options in an inactive market	-	-	60,139	60,139
Foreign currency banknotes	-	645,604	-	645,604
Total assets	48,308	645,604	35,857,731	36,551,643
<i>Liabilities</i>				
Derivative financial liabilities	70,794	-	-	70,794
Total liabilities	70,794	-	-	70,794

During the reporting period, management have decided to move its listed shares held in Benjamin Hornigold Limited from a level 1 asset to a level 3 as the shares are currently not traded in an active market. There were no other transfers between levels during the financial half-year.

The carrying amounts of cash and cash equivalents, balances held with brokers, term deposits, loans and receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

On 3 August 2018, 1,398,573 shares held by the Company in JBL were bought back by JBL 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 \$1,979,400. The net realised gain on the disposal of these securities was \$887,674. After the buy-back the Company holds 55,000 shares in JBL and no options.

Valuation techniques for fair value measurements categorised within level 3

(a) For investments recently acquired, or where there is no indication of material change in value since acquisition, the investments are carried at cost; otherwise

(b) A market comparison technique is used, which is a valuation model based on market multiples derived from quoted prices of companies comparable to the investee entity and expected earnings of the investee entity.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 11. Fair value measurement (continued)

Level 3 assets and liabilities

There have been no changes in level 3 assets and liabilities during the current financial half-year.

	Listed shares in inactive market \$	Unlisted shares \$	Listed options in inactive market \$	Total \$
Balance at 1 July 2018	1,994,738	33,802,854	60,139	35,857,731
Transfers into level 3	48,308	-	-	48,308
Disposals	-	(100,000)	-	(100,000)
Realised gains recognised in profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss"	887,674	-	-	887,674
Unrealised loss recognised in profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss"	(42,477)	(3,675,257)	-	(3,717,734)
Share buyback	(2,806,935)	-	(60,139)	(2,867,074)
Balance at 31 December 2018	<u>81,308</u>	<u>30,027,597</u>	<u>-</u>	<u>30,108,905</u>

Note 12. Issued capital

	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 \$	30 June 2018 \$
Ordinary shares - fully paid	<u>32,346,922</u>	<u>30,615,140</u>	<u>32,614,781</u>	<u>30,882,999</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	30,615,140		30,882,999
Fully paid ordinary shares issued on exercise of options	16 August 2018	37,370	\$1.00	37,370
Fully paid ordinary shares issued on exercise of options	27 August 2018	72,000	\$1.00	72,000
Fully paid ordinary shares issued on exercise of options	28 August 2018	1,366,412	\$1.00	1,366,412
Fully paid ordinary shares issued on exercise of options	29 August 2018	10,000	\$1.00	10,000
Fully paid ordinary shares issued on exercise of options	31 August 2018	<u>246,000</u>	\$1.00	<u>246,000</u>
Balance	31 December 2018	<u>32,346,922</u>		<u>32,614,781</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 13. Options

	31 December 2018	31 December 2017
Options outstanding:		
Opening balance	4,513,791	4,518,791
11 October 2017: Fully paid ordinary shares issued on exercise of options at \$1.00 per share.	-	(5,000)
16 August 2018: Fully paid ordinary shares issued on exercise of options at \$1.00 per share.	(37,370)	-
27 August 2018: Fully paid ordinary shares issued on exercise of options at \$1.00 per share.	(72,000)	-
28 August 2018: Fully paid ordinary shares issued on exercise of options at \$1.00 per share.	(1,366,412)	-
29 August 2018: Fully paid ordinary shares issued on exercise of options at \$1.00 per share.	(10,000)	-
31 August 2018: Fully paid ordinary shares issued on exercise of options at \$1.00 per share.	(246,000)	-
31 August 2018: Expiry of remaining options	(2,782,009)	-
Closing balance	<u>-</u>	<u>4,513,791</u>

Note 14. Earnings per share

	31 December 2018 \$	31 December 2017 \$
Profit/(loss) after income tax attributable to the owners of Henry Morgan Limited	<u>(3,503,723)</u>	<u>596,996</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	31,799,798	21,995,907
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>-</u>	<u>2,246,460</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>31,799,798</u>	<u>24,242,367</u>
	Cents	Cents
Basic earnings per share	(11.02)	2.71
Diluted earnings per share	(11.02)	2.46

Note 15. Related party transactions

In the normal course of business, the Company transacts with entities regarded as related parties for accounting purposes. In accordance with the expanded definition of related party in AASB 124 'Related Party Disclosures', the Company may be required to disclose transactions with the entities included below, notwithstanding the fact that the Company does not exercise control over the financial and operating policies of those entities.

For the purpose of this report, any reference to a related party is in accordance with the expanded definition of that term under the Accounting Standards.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 15. Related party transactions (continued)

During the half-year ended 31 December 2018, the following transactions with entities that may be regarded as related parties in accordance with the Accounting Standards occurred.

(i) Management and performance fees paid to the Investment Manager and reimbursement charges for time involved in accounting and professional services incurred by the Investment Manager.

(ii) Brokerage fees paid to JB Markets Pty Ltd (JBM) for investment broking services provided to the Company.

(iii) Proprietary trading profit-sharing arrangement with Genesis Proprietary Trading Pty Ltd.

(iv) Provision of foreign banknotes to JBFX on a fee basis for trading purposes.

(v) The Company holds shares in JB Financial Group Pty Ltd. An unrealised loss of \$2,458,698 was recorded in the estimated value of this investment in the period ended 31 December 2018 (31 December 2017: \$nil).

(vi) The Company holds 55,000 (31 December 2017: 1,453,573) shares in JBL and no (31 December 2017: 1,398,573) options. An unrealised loss of \$42,350 was recorded in the estimated value of this investment in the period ended 31 December 2018 (31 December 2017: unrealised gain \$322,231). Furthermore, on 3 August 2018, 1,398,573 shares held by the Company in JBL were bought back by JBL 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 \$1,979,400. The net realised gain on the disposal of these securities was \$887,674.

(vii) The Company holds shares in Bartholomew Roberts Pty Ltd. An unrealised loss of \$1,216,559 was recorded in the estimated value of this investment in the period ended 31 December 2018 (31 December 2017: \$nil).

The following transactions occurred with related parties:

	31 December 2018	31 December 2017
	\$	\$
Sales / revenue earned:		
Foreign currency gain / (loss) on bank notes traded through JBFX	30	106,367
Trading fee charged on foreign currency bank notes traded through JBFX	13,982	63,191
Interest earned on loan to Capital Credit	10,963	10,726
Interest earned on loan to JBL (a)	109,835	-
Purchases / expenditure:		
Management and performance fees charged by Investment Manager	407,826	887,161
Brokerage fees charged by JBM	431,701	602,083

(a) Accrued interest has been fully settled post period end.

	31 December 2018	30 June 2018
	\$	\$
Loans and receivables:		
Long-term loan to JBL (b)	2,276,265	-
Long-term loan to Capital Credit (b)	188,463	460,726
Foreign currency banknotes deposited with JBFX (c)	-	684,216
Trade and other payables:		
Amounts owing (from) / to Investment Manager for management and performance fees	69,336	461,109
Amounts owing to JBM for brokerage fees	79,788	76,230

All outstanding trade and other payables are to be settled within 12 months of the reporting date.

(b) Refer to Note 9 for further detail.

(c) Refer to Note 10 for further detail.

Henry Morgan Limited
Notes to the financial statements
31 December 2018

Note 16. Events after the reporting period

On 10 September 2018, JBL announced its intention to make scrip off-market takeover bids to acquire all of the issued shares in the Company that it did not currently own (Bid). JBL declared the Bid free from conditions on 24 December 2018.

On 28 December 2018, an application was made by certain shareholders in the Company to the Takeovers Panel in respect of the Bid. At the time of the application, JBL had a relevant interest in 53.56% of the shares in the Company.

The Takeovers Panel determined to hear the application, and issued orders preventing JBL from processing acceptances received under the Bid.

On 25 January 2019, the Panel made a declaration of unacceptable circumstances in relation to the affairs of the Company, and made final orders. The effect of the final orders is that:

- on 19 February 2019, all acceptances received by JBL under the bid were cancelled;
- in order to proceed with the Bid, JBL and the Company must dispatch supplementary information to all target shareholders explaining among other things the effect of the Panel's declaration and orders;
- JBL must then issue either a replacement bidder's statement including certain information prescribed in the orders or a supplementary bidder's statement stating the bid is closed or has been cancelled;
- If JBL does not dispatch the replacement bidder's statement before the dates specified in the orders, and the bid remains on foot, the bid is cancelled; and
- If the bid is not cancelled, within a certain period of JBL dispatching its replacement bidder's statement, the Company must dispatch a supplementary target's statement and supplementary independent expert's report to shareholders which specifically consider matters outlined in the orders.

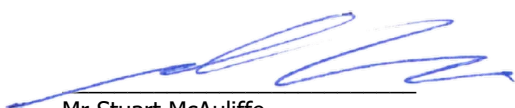
**Henry Morgan Limited
Directors' declaration
31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Stuart McAuliffe
Managing Director

28 February 2019



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Independent Auditor's Review Report to the Members of Henry Morgan Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Henry Morgan Limited ("the Company"), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year 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 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Iani Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Henry Morgan Limited 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 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PITCHER PARTNERS



NIGEL BATTERS
Partner

Brisbane, Queensland
28 February 2019