

29 March 2019

Adrian Smythe
Manager Listings Compliance (Sydney)
ASX Compliance Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

Email: adrian.smythe@asx.com.au

Dear Mr Smythe,

LETTER TO BENJAMIN HORNIGOLD LIMITED (“BHD”) DATED 20 MARCH 2019

Our responses to each question set out in your letter of 20 March 2019:

1.

	Net Asset Value \$	NTA per share \$
Net asset value used to calculate NTA as at 31 December 2018 reported on 14 January 2019	15,218,612	0.6300
<i>Adjustments recorded in the Half Year Report:</i>		
Foreign exchange movement on USD investment	156,007	0.0065
Carrying amount of inactive listed investments	(24,940)	(0.0010)
Half-year recalculation of income tax amounts	815,343	0.0338
Increase in trade creditors	(193,861)	(0.0080)
Other minor adjustments	(8,079)	(0.0003)
Net asset value in the Half Year Report on 28 February 2019	15,963,081	0.6609

2. BHD took into consideration the proposed terms of the transaction and the financial position of Genesis, as well as the opportunity to support a proprietary trading desk business which facilitated the skilled execution of trades with little to no slippage, and whose rates were competitive and reasonable.

BHD also considered the ability of Genesis to service and repay the loan.

BHD had previously received legal advice regarding whether or not its relationship with Genesis' parent company would fall within Chapter 2E of the Corporations Act. On the

basis of the application of that advice to the transaction in question, it was determined that this was not a related party transaction requiring approval under the Corporations Act.

3. The Board of BHD undertook an analysis of the proposed terms of the transaction, including the interest rate (which was referable to rates charged by the major banks) and the circumstances surrounding the loan arrangement. The Board concluded that the financial position of BHD would not be materially adversely impacted by the loan, and that JBL would be able to service and repay the loan.

BHD undertook an analysis of the application of Chapter 2E of the Corporations Act, and concluded that its relationship with JBL did not fall within the scope of the Corporations Act.

In any event, the Directors of BHD concluded that the terms of the loan arrangement were reasonable in the circumstances if the companies were dealing at arm's length.

4.

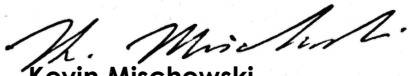
	Amount \$
Interest earned 17 September 2018 to 8 March 2019	242,918
Interest received from JBL 27 December 2018	(104,918)
Interest received from JBL 31 December 2018	(43,952)
Remaining interest payable	<u>94,048</u>

The remaining interest will be repaid over the remaining course of business during the year.

5. Refer to Annexure A.
6. BHD'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. BHD considers that the value ascribed to each of the Company's unlisted investments does not exceed their recoverable amount.
7. Refer to Annexure B.
8. Refer to Annexure B.
9. Refer to Annexure C.
10. Refer to Annexure C.
11. Genesis Proprietary Trading Pty Ltd is not required to prepare, and has not prepared, separate accounts. BHD has asked Genesis 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 Genesis to the Company.
12. BHD confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

13. BHD'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.

Yours faithfully



Kevin Mischewski
Company Secretary
Benjamin Hornigold Limited

ANNEXURE A

	30 Jun 2018	31 Jul 2018	31 Aug 2018	30 Sep 2018	31 Oct 2018	30 Nov 2018	31 Dec 2018	31 Jan 2019	28 Feb 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Variable A (Total assets)									
Cash & receivables	5,933,413	5,775,945	6,669,274	6,062,277	5,088,619	753,368	3,776,083	3,840,640	2,995,805
Foreign currency banknotes	7,567,612	6,530,330	5,334,516	4,905,192	4,943,223	4,655,313	1,017,002	1,582,988	1,947,068
Derivative financial assets	-	-	-	-	-	564	44,871	24,147	-
Listed investments	795,364	795,364	58,910	58,910	58,910	50,740	50,740	25,800	25,800
Loans receivable	2,305,278	3,123,310	4,257,464	4,257,464	4,365,425	9,004,430	8,935,808	8,829,155	8,899,525
Intangible asset (deferred tax)	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	2,615,321	2,597,480
Total variable A	18,308,191	17,931,473	18,026,689	16,990,367	16,162,703	16,170,940	15,531,029	16,918,051	16,465,679
Variable I (Intangible asset - deferred tax)	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	2,615,321	2,597,480
Variable L (Total liabilities)	442,641	731,982	1,076,622	860,247	402,657	409,106	312,418	449,671	533,965
Provision for tax	82,144	82,144	82,144	82,144	82,144	82,144	82,144	157,756	157,756
NTA before any tax (A - I - L + provision for tax)	16,241,170	15,575,110	15,325,685	14,505,739	14,135,664	14,137,453	13,594,231	14,010,815	13,491,990
Deferred tax asset (I)	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	1,706,525	2,615,321	2,597,480
Deferred tax liability	82,144	82,144	82,144	82,144	82,144	82,144	82,144	157,756	157,756
NTA after tax (A - I - L)	17,865,551	17,199,491	16,950,066	16,130,120	15,760,045	15,761,834	15,218,612	16,468,381	15,931,714
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Variable N (Number of shares on issue)	24,155,241	24,155,241	24,155,241	24,155,241	24,155,241	24,155,241	24,155,241	24,155,241	24,155,241
NTA per share	\$	\$	\$	\$	\$	\$	\$	\$	\$
NTA before any tax (A - I - L + provision for tax)	0.6724	0.6448	0.6345	0.6005	0.5852	0.5853	0.5628	0.5800	0.5586
Deferred tax asset (I)	0.0706	0.0706	0.0706	0.0706	0.0706	0.0706	0.0706	0.1083	0.1075
Deferred tax liability	(0.0034)	(0.0034)	(0.0034)	(0.0034)	(0.0034)	(0.0034)	(0.0034)	(0.0065)	(0.0065)
NTA after tax (A - I - L)	0.7396	0.7120	0.7017	0.6678	0.6524	0.6525	0.6300	0.6818	0.6596

ANNEXURE B

Benjamin Hornigold Ltd: Performance fee calculation

Quarter ended	Pre-fee quarter ending NTA (CNTA)	Quarterly high water mark (ONTA)	Aggregate of all distributions (D)	Share capital issued (NC)	Investment return (CNTA - ONTA +	Performance fee earned (incl GST)	Performance fee paid (incl GST)	Unpaid performance fees	Date performance fee paid
Jun-17		19,415,263							
Sep-17	21,291,923	19,415,263	-	-	1,876,660	557,368	474,795	82,573	2 Nov 2017
Dec-17	23,829,828	21,291,923	-	-	2,537,905	753,758	-	753,758	
Performance fee waived (December 2017)						(832,700)		(832,700)	
Mar-18	17,751,620	23,829,828	2,799,137	3,325,144	-	-	-	-	
Jun-18	16,287,397	23,829,828			-	-	-	-	
Sep-18	14,546,578	23,829,828	-	-	-	-	-	-	
Dec-18	13,631,710	23,829,828	-	-	-	-	-	-	
Total						478,426	474,795	3,631	

NB: There was no performance fee at 30 June 2017 as this was the entity's first quarter in operation.

ANNEXURE C

Benjamin Hornigold Ltd: 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) 3% pa	Management fee paid (incl GST)	Unpaid management fees	Date management fee paid
Jun-18	17,865,551	(1,624,381)	16,241,170	46,228	16,287,397	44,790	46,228	(1,437)	30 Jun 2018
Jul-18	17,199,491	(1,624,381)	15,575,110	53,105	15,628,214	42,978	53,105	(10,127)	13 Aug 2018
Aug-18	16,950,066	(1,624,381)	15,325,685	42,645	15,368,330	42,263	42,645	(382)	7 Dec 2018
Sep-18	16,130,120	(1,624,381)	14,505,739	40,839	14,546,578	40,003	40,839	(836)	7 Dec 2018
Oct-18	15,760,045	(1,624,381)	14,135,664	39,430	14,175,094	38,982	39,430	(448)	10 Dec 2018
Nov-18	15,761,834	(1,624,381)	14,137,453	39,106	14,176,560	38,986	39,106	(121)	10 Dec 2018
Dec-18	15,218,612	(1,624,381)	13,594,231	37,480	13,631,710	37,487	37,480	8	15 Jan 2019
Jan-19	16,468,381	(2,457,565)	14,010,815	38,629	14,049,444	38,636	38,629	7	18 Feb 2019
Feb-19	15,931,714	(2,439,724)	13,491,990	37,205	13,529,195	37,205	37,205	-	8 Mar 2019
Total						361,329	374,665	(13,336)	

Total management fee paid Jul-18 to Dec-18
 GST refunds received during the half year
Total management fee paid per Half Year Report

252,604
 (22,303)
230,301



20 March 2019

Mr Kevin Mischewski
Company Secretary
Benjamin Hornigold Limited
GPO Box 3112
Brisbane QLD 4000

By email: kmischewski@benjaminhornigold.com.au

Dear Mr Mischewski,

Benjamin Hornigold Limited (“BHD”) – ASX Query

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

- A. BHD’s announcement of 14 January 2019 titled “Net tangible asset figures”, disclosing that the NTA after tax as at 31 December 2018 was \$0.63 per share.
- B. BHD’s half yearly report and accounts for the period ended 31 December 2018 lodged on 28 February 2019 (the “HY Report”), disclosing on page 1 that net tangible assets as at 31 December 2018 was \$0.6609 per share.
- C. Page 12 of the HY Report (Note 9 (b)) which discloses that on 24 December 2018, BHD “...entered into a loan agreement with Genesis for \$800,000 at 9% p.a. interest rate. The maturity date of the loan is 31 October 2019.” Genesis Proprietary Trading Pty Ltd (“Genesis”) is a wholly owned subsidiary of JB Financial Group Pty Ltd (“JBFG”), which is in turn a controlled entity of John Bridgeman Limited (“JBL”) (BHD’s investment manager) for accounting purposes.
- D. Note 9 (c) on page 13 of the HY Report which discloses that “...[o]n 8 August 2018 the Company made a loan of \$1,134,000 to the JBL for a term of one year at 11.5% pa interest. On 16 October 2018 the term of the loan was extended to 8 February 2020. For the half year ended 31 December 2018 \$53,958 of interest has been recognised.”
- E. Note 9 (c) on page 13 of the HY Report which discloses that “[f]or the year ended 31 December 2018 \$148,870 of interest has been recognised” in relation to the \$4,500,000 lent to JBL on 17 September 2018.
- F. BHD’s announcement of 15 October 2018 titled “Investment update & net tangible asset figures” which contained downward revisions of BHD’s estimated NTA per share as at 30 June 2018, 31 July 2018 and 31 August 2018, following completion of BHD’s 2018 Audited Financial Report.
- 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.

H. Pages 107 and 108 of BHD's prospectus dated 19 March 2017 which summarises the fees payable to JBL (BHD's manager) under the management services agreement between BHD and JBL as follows:

MANAGEMENT FEE

The Manager will be paid a Management Fee of 3% per annum (plus GST) calculated and paid monthly in arrears based on the Net Tangible Assets of the Company on the last day of the month in which the monthly instalments of the Management Fee is paid.

The Net Tangible Assets of the Company will be calculated based on the net liquidation value of the Company's trading and bank accounts on the last day of the month adjusted for known items not yet paid or received including GST, professional fees, performance fees, any other Portfolio costs that may arise. Any open trading positions are marked to market on the last day of the month to calculate the net liquidation value.

PERFORMANCE FEE

The Manager will be entitled to receive a performance fee (**Performance Fee**) of 27% of the investment return (represented by an increase in Net Tangible Assets subject to adjustments as noted below) at the end of the last day of the relevant quarter from the Company. The payment of a Performance Fee in any quarter is subject to the Company achieving a high water mark hurdle. That is, the Net Tangible Assets of the Company on the last business day of the quarter must exceed the previous highest Net Tangible Assets achieved by the Company before any Performance Fee becomes payable.

The terms of the Performance Fee are outlined below:

The Performance Fee is calculated and accrued quarterly using the following formula and is payable quarterly in arrears:

$$.27 \times [\text{CNTA} - \text{ONTA} + \text{D} - \text{NC}]$$

Where:

'CNTA' is the Net Tangible Assets of the Company on the last Business day of the relevant quarter;

'ONTA' is the higher of:

- (a) the Net Tangible Assets of the Company on the last Business Day of the quarter immediately preceding the relevant quarter (and the period from and including that day to and excluding the last Business Day of the relevant quarter is referred to in this formula as the relevant period); and
- (b) the previous highest Net Tangible Assets of the Company calculated under this formula; 'D' is the aggregate of all dividends or other distributions in respect of all Shares paid or payable to Shareholders, or the value of entitlements other than cash dividends or distributions where those other entitlements are given or due to Shareholders, on a pre-tax basis, where the Shares were quoted 'ex' dividend, distribution or other entitlement on the ASX in respect of such dividend, distribution or other entitlement at any time during the Relevant Period;

'NC' is the aggregate dollar value of any new capital subscribed for Shares during the Relevant Period (including dividend reinvestments and exercise of options), calculated at the subscription price for that new capital less the costs incurred in raising that new capital less the aggregate dollar value of any buy-back of Shares or capital reduction or capital return during the Relevant Period.

- I. The Takeovers Panel's Orders of 8 February 2019 which required (amongst other things):
"6. Within 20 days after the Commencement Date, JBL must repay to BHD the JBL Loan (with any interest)."
- J. BHD's announcement of 12 March 2019 titled "Update on Orders" where "Benjamin Hornigold confirms that, in accordance with the orders of the Takeovers Panel, it has received \$4.5 million from JBL in repayment of the JBL Loan (as that term is defined in the orders of the Takeovers Panel)".
- K. Listing rule 4.9 which is as follows:

"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."

Questions and Requests for Information

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

1. Please explain in detail the reasons for the discrepancy in the NTA as at 31 December 2018 reported on 14 January 2019 (\$0.63 per share) and 28 February 2019 in the HY Report (\$0.6609 per share).
2. Please explain the rationale for BHD loaning Genesis \$800,000 on 24 December 2018. What analysis did the board of BHD conduct to satisfy itself of the ability of Genesis to service and repay the loan? Did BHD seek legal advice about whether or not this loan was a related party transaction requiring shareholder approval under the Corporations Act?
3. Please explain the rationale for BHD loaning JBL \$1,134,000 on 8 August 2018 and extending the term of the loan to 8 February 2020 on 16 October 2018. What analysis did the board of BHD conduct to satisfy itself of the ability of JBL to service and repay the loan? Did BHD seek legal advice about whether or not this loan was a related party transaction requiring shareholder approval under the Corporations Act?
4. Further to BHD's announcement of 12 March 2019, has BHD also received from JBL interest owing on the \$4,500,000 loan of 17 September 2018? If so, what was the amount of interest received? If not, how much interest is owing and when will it be received from JBL?
5. Using the formula for net tangible asset backing extracted above, please provide a detailed breakdown of how BHD has calculated each month end NTA backing figure for the months ended June 2018, July 2018, August 2018, September 2018, October 2018, November 2018, December 2018, January 2019 and February 2019, showing separately for every month the values attributed to each asset included in variable "A" and the values attributed to each of the variables "I", "L" and "N". For each of the month-end NTA calculations, please also show separately the provisions for unpaid management fees earned.
6. Please confirm that BHD's estimate of the fair value for its unlisted investments used in calculating each month end NTA backing figure complies with the requirement under ASX's definition of net tangible asset backing, and that the value ascribed to such investments does not exceed their recoverable amount.
7. For each of the quarters ended 30 June 2017, 30 September 2017, 31 December 2017, 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018, please set out clearly the separate calculations of the quarterly performance fee, including the working, to show in particular the value of each of the variables CNTA, ONTA, D and NC for the formula extracted in H above. In providing this information, please also highlight where the high water mark has been in effect.
8. For each of the quarters mentioned in 7 above, please provide the amount of the performance fee actually paid for that quarter, including the dates on which the payments were made. Details of any overpayments, underpayments and amounts yet to be paid for the performance fee should also be provided.
9. For each of the months ended June 2018, July 2018, August 2018, September 2018, October 2018, November 2018, December 2018, January 2019 and February 2019, please provide the calculation, showing the working, setting out the management fee for each of these months.
10. For each of the months mentioned in 9 above, please provide the amount of the management fee actually paid for that month, including the dates on which the payments were made. Details of any overpayments, underpayments and amounts yet to be paid for the management fee should also be provided.

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11. In accordance with listing rule 4.9, please provide for release to the market the latest accounts of Genesis.
 12. Please confirm that BHD is in compliance with the listing rules and, in particular, Listing Rule 3.1.
 13. Please confirm that BHD'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 no later than **9.30 am AEDT on Friday, 29 March 2019**.

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 by e-mail to me. 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 BHD'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 BHD'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

Adrian Smythe
Manager, Listings Compliance (Sydney)