



Henry Morgan

HENRY MORGAN LIMITED
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4 April 2019

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

Our responses to each question set out in your letter of 25 March 2019 are provided below.

1.

	Net Asset Value \$	NTA per share \$
Net asset value used to calculate NTA as at 31 December 2018 reported on 14 January 2019 (released 15 January 2019)	34,943,172	1.0803
<i>Adjustments recorded in the Half Year Report:</i>		
Investment in Bartholomew Roberts Pty Ltd	(1,216,559)	(0.0376)
Investment in JB Financial Group Pty Ltd	(2,458,698)	(0.0760)
Investment in John Bridgeman Limited	(31,900)	(0.0010)
Receivable from John Bridgeman Limited	(214,569)	(0.0066)
Half-year recalculation of income tax amounts	1,501,595	0.0464
Other assets and liabilities	75,144	0.0023
Net asset value in the Half Year Report on 28 February 2019	32,598,183	1.0078

2. HML took into consideration the purpose of the loan to Capital Credit Pty Ltd, including the loan's initial and extended term, its other terms and conditions and the anticipated financial return and benefit to the Company given the perceived risks of the transaction. The loan (and its extension) was made on the basis that it would provide the Company with a reasonable commercial return given its perceived financial risk on entering the transaction and in extending the term of the transaction, including Capital Credit's ability to service and repay the loan together with other benefits accruing to the Company. An internal analysis was undertaken of the relationship between the parties. This analysis concluded that the transaction was not a related party transaction



requiring shareholder approval under the Corporations Act. No formal external legal advice was taken in connection with this matter.

3. The Board of HML considered that the loan for the term and at the stipulated interest rate was an appropriate use of HML's cash available for investment, both on the initiation of the loan on 8 August 2018 and on its extension on 16 October 2018. 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 Board concluded based on the Company's internal analysis that the terms of the loan were reasonable in the circumstances and reflected an arm's length dealing in light of JBL's perceived ability to service and repay the loan together with other benefits accruing to the Company. Based on internal analysis it was considered that the loan was not a related party transaction requiring shareholder approval under the Corporations Act. No formal external legal advice was taken in connection with this matter.
4. Refer to Annexure A.
5. 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.
6. Refer to Annexure B.
7. Refer to Annexure B.
8. Refer to Annexure C.
9. Refer to Annexure C.
10. The latest accounts for Bartholomew Roberts Ltd were released to the market on 26 March 2018 for the financial period ending 30 June 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.
11. HML confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
12. 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.

Yours faithfully

Kevin Mischewski
Company Secretary
Henry Morgan Limited



ANNEXURE A

	28 Feb 2019	31 Jan 2019	31 Dec 2018	30 Nov 2018	31 Oct 2018
	\$	\$	\$	\$	\$
Variable A (Total assets)					
Cash & cash equivalents	1,111,401	1,072,285	1,400,894	1,386,810	571,522
<i>Derivative financial assets:</i>					
Derivative financial assets	-	-	-	-	22,399
Current tax receivable	-	187,746	187,746	187,746	187,746
<i>Loans and receivables:</i>					
Loans and receivables	401,608	376,908	398,010	397,678	1,221,453
Receivable from John Bridgeman Limited	(292)	(292)	6,251	6,251	6,251
Loan to John Bridgeman Limited	2,230,390	2,211,073	2,490,834	2,467,579	2,474,809
<i>Investments at fair value through profit or loss:</i>					
Foreign currency banknotes	-	-	-	645,634	660,683
Investment in John Bridgeman Limited - Ordinary shares	33,000	33,000	64,900	64,900	75,350
Investment in Benjamin Hornigold Ltd	48,308	48,308	48,308	48,308	48,308
Investment in JB Financial Group Pty Ltd	22,418,802	24,877,500	24,877,500	24,877,500	24,877,500
Investment in Bartholomew Roberts Pty Ltd	7,608,795	8,825,354	8,825,354	8,825,354	8,825,354
Prepayments	-	-	-	-	3,263
Total Variable A	33,852,011	37,631,881	38,299,796	38,907,759	38,974,638
Variable I (Intangible assets)	-	-	-	-	-
Variable L (Total liabilities)	1,535,037	2,366,756	3,356,625	3,504,084	3,352,822
NTA after tax (A - I - L)	32,316,974	35,265,125	34,943,172	35,403,675	35,621,815
Provision for tax	1,114,635	2,217,711	3,011,374	3,011,374	3,011,374
NTA before tax (NTA after tax + Provision for tax)	33,431,609	37,482,837	37,954,546	38,415,049	38,633,189
	No.	No.	No.	No.	No.
Variable N (Number of shares on issue)	32,346,922	32,346,922	32,346,922	32,346,922	32,346,922
NTA per share	\$	\$	\$	\$	\$
NTA backing before tax per share	1.0335	1.1588	1.1734	1.1876	1.1943
Tax Asset	0.1478	0.1477	0.1139	0.1139	0.1139
Tax Liability	(0.1822)	(0.2163)	(0.2070)	(0.2070)	(0.2070)
NTA backing after tax per share	0.9991	1.0902	1.0803	1.0945	1.1012



ANNEXURE B

Henry Morgan Limited: 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 + D - NC)	Performance fee earned (incl GST) 23%	Performance fee invoiced and paid (incl GST)	True up adjustment invoiced and paid (incl GST)	Fee waived by fund manager	Unpaid performance fees	Date performance fee paid
Opening											
Balance	15,375,043										
Jun-16	17,091,872	15,375,043		15,601,000	-	-	-			- N/A	
Sep-16	25,472,988	15,375,043	-	2,484,972	7,612,974	1,926,082	660,000			1,266,082	Part payments 4 Oct 2016, 1 Jul 17, 16 Aug 17, 9 Oct 17
Dec-16	23,567,057	23,546,906	-	-	20,151	5,098	2,057,639			(786,458)	Part payments 1 Jul 17, 16 Aug 17, 9 Oct 17
Mar-17	60,824,035	23,561,959	5,646,303	12,150,090	30,758,290	7,781,847	495,000			6,500,389	Part payments 1 Jul 17, 16 Aug 17, 9 Oct 17
Jun-17	58,367,347	53,042,188	485,189	1,353,808	4,456,540	1,127,505	3,043,636	1,543,448	1,263,000	1,777,810	Part payments 1 Jul 17, 16 Aug 17, 9 Oct 17
Sep-17	55,884,038	55,323,711	-	5,000	555,327	140,498	151,173			1,767,134	30 Jan 2018
Dec-17	57,216,162	55,743,541	-	-	1,472,622	372,573	77,208	291,257		1,771,243	Part payments 23 Feb 18 & 30 June 18
Mar-18	54,028,428	56,843,589	-	-	-	-	-			1,771,243	
Jun-18	37,381,498	56,843,589	-	-	-	-	-			1,771,243	
Sep-18	38,479,898	56,843,589	-	1,731,782	-	-	-			1,771,243	
Dec-18	33,712,818	56,843,589	-	-	-	-	-			1,771,243	
					Total	11,353,603	6,484,656	1,834,704	1,263,000	1,771,243	

Notes:

1. Announced NTA values are used in the calculation of September and March quarter performance fees. The auditor reviewed Half Year Report and audited Annual Report values are used in the calculation of the December and June quarter performance fees.
2. True up adjustments are recorded at financial year end based on audited accounts.
3. The quarterly high water mark (ONTA) is based on the post-fee NTA
4. The high water mark used in the calculation of the September 2017 performance fee was set during the calculation of the true up adjustment for the June 2017 financial year and is based on the audited financial statements.
5. The adjustment to the performance fee attributable to the March 2017 dividend distribution has not been recorded and remains payable to the investment manager. As at 31 December 2018 the total amount payable to the investment manager is \$1,771,243.

**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) 2% pa	Management fee paid (incl GST)	Unpaid management fees	Date management fee paid	
Jun-18	34,370,123	3,011,374	37,381,497	396,212	37,777,709	69,259	104,955	(35,695)	30 Jun 2018	
Jul-18	33,982,382	3,011,374	36,993,756	95,204	37,088,960	67,996	95,204	(27,207)	31 Jul 2018	
Aug-18	36,316,221	3,011,374	39,327,596	80,395	39,407,990	72,248	80,395	(8,147)	14 Sep 2018	
Sep-18	35,469,400	3,011,374	38,480,774	70,220	38,550,994	70,677	70,220	457	31 Oct 2018	
Oct-18	35,621,815	3,011,374	38,633,189	70,612	38,703,801	70,957	70,612	345	6 Dec 2018	
Nov-18	35,403,675	3,011,374	38,415,049	70,186	38,485,235	70,556	70,186	371	7 Dec 2018	
Dec-18	32,598,183	1,114,635	33,712,819	69,366	33,782,185	61,934	69,366	(7,432)	15 Jan 2019	
Jan-19	32,486,819	1,114,635	33,601,454	68,500	33,669,954	61,728	68,500	(6,772)	18 Feb 2019	
Feb-19	32,316,974	1,114,635	33,431,609	61,404	33,493,014	61,404	61,404	(0)	20 Mar 2019	
Adjustments to management fees FY19								(41,775)	41,775	
Total							606,760	649,066	(42,306)	
Total management fee paid Jul-18 to Dec-18								455,982		
Credit notes issued and GST adjustments								(48,156)		
Total management fee paid per Half Year Report								407,826		



25 March 2019

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 net tangible asset backing announcements released on the ASX Market Announcements Platform on 24 March 2019, 14 February 2019, 15 January 2019, 14 December 2018 and 14 November 2018 (“NTA Announcements”).
- B. HML’s announcement of 15 January 2019 titled “Net tangible asset backing”, disclosing that the NTA after tax as at 31 December 2018 was \$1.0803.
- C. HML’s half year reviewed accounts as at 31 December 2018 released on the ASX Market Announcements Platform on 28 February 2019 (“HY Accounts”), disclosing on page 1 that net tangible assets as at 31 December 2018 was \$1.0078.
- D. Page 13 of the HY Accounts (Note 9(a)) which discloses the following:
 - (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.
- E. 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.”
- F. Page 73 of HML’s replacement prospectus dated 5 November 2015 which summarises the fees payable to JBL (HML’s manager) under the management services agreement between HML and JBL as follows:

'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.

Management Fee

The Manager will be paid a Management Fee of 2% 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 23% 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:

$$.23 \times [\text{CNTA} - \text{ONTA} + \text{D} - \text{NC}]$$

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.

- G. The following definition of "net tangible asset backing" in listing rule 19.12:

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

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

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 in detail the reasons for the discrepancy in the NTA as at 31 December 2018 reported on 15 January 2019 (\$1.0803 per share) and 28 February 2019 in the HY Report (\$1.0078 per share).
2. Please explain the rationale for HML loaning Capital Credit Pty Ltd (“Capital Credit”) (formerly Growth Point Capital Limited) \$450,000 on 10 July 2017 and extending the term of the loan to 31 December 2020 on 31 December 2018. What analysis did the board of HML conduct to satisfy itself of the ability of Capital Credit to service and repay the loan? Did HML seek legal advice about whether or not this loan was a related party transaction requiring shareholder approval under the Corporations Act?

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3. Please explain the rationale for HML loaning JBL \$2,411,000 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 HML conduct to satisfy itself of the ability of JBL to service and repay the loan? Did HML seek legal advice about whether or not this loan was a related party transaction requiring shareholder approval under the Corporations Act?
 4. 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 for the months ended 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.
 5. Please confirm that HML'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.
 6. For each of the quarters ended 31 March 2016, 30 June 2016, 30 September 2016, 31 December 2016, 31 March 2017, 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 F above. In providing this information, please also highlight where the high water mark has been in effect.
 7. For each of the quarters mentioned in 6 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.
 8. 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.
 9. For each of the months mentioned in 8 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.
 10. In accordance with listing rule 4.9, please provide for release to the market the latest accounts of Bartholomew Roberts Pty Ltd.
 11. Please confirm that HML is in compliance with the listing rules and, in particular, Listing Rule 3.1.
 12. 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 Tuesday, 2 April 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 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

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