



Henry Morgan

“Aut pax aut bellum”

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

HENRY MORGAN LIMITED ACN 602 041 770

Henry Morgan Limited Annual Report

Chairman's Letter 2016

Dear Shareholder

This Annual Report marks the first year in which Henry Morgan Limited commenced operations as a Listed Investment Company, and covers the impressive performance of the Company since its admission to the Official List of ASX in February 2016.

Henry Morgan Limited invests globally in equities, currencies, bonds and commodities. The Company focuses on absolute performance, seeking to outperform no particular index, but rather to outperform all indices in bull or bear markets.

As all shareholders will know, Henry Morgan Limited's portfolio is managed by John Bridgeman Limited, an investment manager listed on the National Stock Exchange, in accordance with a management services agreement. The Board believes John Bridgeman Limited has performed strongly since active management of the portfolio commenced in February 2016. This is evidenced by the fact that, in the year ending 30 June 2016, Henry Morgan Limited's net asset value (NAV) increased to \$16,644,610. The portfolio benefitted from exposure to currencies including the Yen and Euro, and by equity exposure in the United Kingdom and China.

Henry Morgan Limited believes that many assets are undervalued globally, as are many currencies given the escalation of the USD over recent years, giving rise to significant opportunities for investment and return.

The Board believes the long term performance of Henry Morgan Limited will be supported by following a long term philosophy of seeking undervalued assets across all asset classes globally.

During the 2016-2017 financial year, the Board will continue to identify and evaluate opportunities for profitable and strategic investment, and aims to reward shareholders for their investment in the Company through expansion and financial success.

We look forward to your continued investment in Henry Morgan Limited.

John McAuliffe

Chairman

Henry Morgan Limited

30 September 2016

Henry Morgan Limited ACN 602 041 770

Financial report for the year ended 30 June 2016

DIRECTORS' REPORT

The directors present their report together with the financial statements of Henry Morgan Limited (the Company) for the financial year ended 30 June 2016 and the auditor's report.

Directors

The following persons were directors of Henry Morgan Limited during or since the end of the financial year up to the date of this report:

Stuart McAuliffe – Managing Director

John McAuliffe AM – Chairman and Non-Executive Director appointed 21 October 2015

Rosario Patane – Non-Executive Director resigned 18 August 2015, re-appointed 31 March 2016

Simon Richardson – Executive Director resigned 31 March 2016

Brett Heading – Chairman and Non-Executive Director resigned 01 September 2015

Jennifer Hutson – Chairperson and Non-Executive Director appointed 01 September 2015, resigned 21 October 2015

Particulars of each director's experience and qualifications are set out below.

Information Relating to Directors and Company Secretary

Stuart McAuliffe	–	Managing Director
Qualifications	–	BA; MEd; Grad Dip Legal Studies
Experience	–	Stuart has over 25 years' experience investing in global equity, bond, currency and commodity markets. Stuart is also an Associate Professor in the Faculty of Society and Design at Bond University.
Listed Company Directorships held	–	Stuart has been a Director of John Bridgeman Limited since January 2015.
Interests in shares and Options	–	Stuart holds or has interests in entities that hold 5,000 ordinary shares and 59,000 options.
John McAuliffe AM	–	Chairman and Non-Executive Director
Qualifications	–	Life Fellow Australian Property Institute; Chartered Building Professional of the Australian Institute of Building.
Experience	–	John has had a long and distinguished career in both government and private sector roles. He has also lectured extensively at both QUT and UQ in the areas of property valuation and surveying. John was awarded the Order of Australia in June 2007 for services to the community particularly through executive roles in the areas of health care, public housing management and to the property valuation industry.
Listed Company Directorships held	–	John has been Chairman and Non-Executive director of John Bridgeman Limited since 13 March 2015.
Interest in Shares and Options	–	John holds or has interests in entities that hold 900,000 ordinary shares and 900,000 options.

DIRECTORS' REPORT

Information Relating to Directors and Company Secretary (Continued)

Rosario (Ross) Patane	–	Non-Executive Director
Qualifications	–	BBus, CA, MAICD; FFin
Experience	–	Ross is a chartered accountant with in excess of 25 years' experience in providing high level accounting related services. Ross is presently the Queensland Managing Principal of Crowe Horwath, a leading accounting and financial services business.
Listed Company Directorships held	–	Ross has been a Director of John Bridgeman Limited since March 2015.
Interest in Shares and Options	–	Ross holds or has interests in 5,000 ordinary shares and 5,000 options.
Simon Richardson	–	Previous Executive Director
Qualifications	–	BEcon; BCom
Experience	–	Simon has had over 20 years of diverse national and international business experience. Simon commenced his career at a Big 4 accounting firm spending time in Australia and the United Kingdom. In 2006 Simon was a founding partner in one of the leading proprietary futures trading businesses in Australia.
Listed Company Directorships held	–	Simon was a Director of John Bridgeman Limited until his resignation on 31 March 2016.
Brett Heading		Previous Chairman and Non-Executive Director
Qualifications		BCom; LLB (Hons)
Experience		Brett is an experienced corporate lawyer and has a depth of experience extending across mergers and acquisitions, capital raisings, Takeovers Panel and government advisory roles.
Listed Company Directorships held	–	Brett is currently a director of these listed companies - Unity Pacific Ltd, Empire Oil and Gas NL as well as Invion Limited.
Jennifer (Jenny) Hutson	–	Previous Chairperson and Non-Executive Director
Qualifications	–	BCom; LLB; FAIM
Experience	–	Jenny is an investment banker and fund manager. Jenny has over 20 years' experience in advising listed companies on capital raisings, mergers and acquisitions, finance and corporate governance issues.
Listed Company Directorships held	–	Jenny is the former Chairperson of listed company G8 Education Limited until she resigned on 15 October 2015.

DIRECTORS' REPORT

Information Relating to Directors and Company Secretary (Continued)

Jody Wright	–	Company Secretary appointed 14 July 2016
Qualifications	–	LLB
Experience	–	Jody was admitted to practice as a Solicitor of the Supreme Court of Queensland in January 2001 and is a member of the Queensland Law Society. Jody has an extensive background in corporate governance, compliance, risk management, board advisory and commercial litigation. She has significant experience as in-house counsel and compliance manager across different industry spheres including financial services, insurance and investigative services.
Mary-Anne Greaves	–	Previous Company Secretary
Qualifications	–	LLB; ACIS; AGIA
Experience	–	Mary-Anne was Company Secretary between January 2015 and July 2016. She is Executive Director/General Counsel and Company Secretary of Wellington Capital Limited. Mary-Anne has led numerous due diligence assignments and has a strong interest in the area of corporate governance.

Dividends Paid or Recommended

No dividend has been paid or recommended during or since the end of the financial year.

Indemnifying and Insurance of Officers

During the financial year, the Company entered into an agreement to indemnify, and agreed to pay insurance premiums as follows:

- The Company has agreed to pay premiums to insure all directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during or since the end of the year.

DIRECTORS' REPORT

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2016:

	\$
Capital raising and associated services	15,000
	<hr/>
	15,000
	<hr/>

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 12 of the financial report.

Options

At the date of this report, there are options issued in respect of 14,000,000 unissued ordinary shares of Henry Morgan Limited. The options are exercisable at \$1 on or before 31 August 2018 (expiry date). The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year, there were no ordinary shares issued as a result of the exercise of options.

Operating and Financial Review

Principal Activities

The Company commenced operations as a Listed Investment Company (LIC) on 6 January 2016.

The Company provides investors with the opportunity to gain exposure to an investment portfolio which is actively managed. The investment portfolio is invested in global markets in derivative instruments providing exposure to equities, equity indices, bonds, currencies and commodities with the aim of achieving above average returns (whilst limiting volatility) over the medium to long term.

Business Model and Objectives

The Company aims to deliver shareholder returns by providing an actively managed portfolio with diversification across products and global markets which allows board, key management and shareholders' interests to be aligned.

DIRECTORS' REPORT

Operating Results

The net profit after tax for the Company amounted to \$1,240,815 (2015 N/A), including net gain on financial instruments of \$2,531,486; commissions paid of \$347,161 and listing and associated costs of \$138,996. The tax expense associated with the profit was \$531,778.

Review of Operations

The Company commenced operations in January 2016 having raised \$15,600,000 in share capital before associated costs. Following commencement, Henry Morgan Limited's net asset value (NAV) increased to \$16,644,610 at 30 June 2016. The investment portfolio benefitted from exposure to currencies including the Yen and Euro, and by equity exposure in the United Kingdom and China. The year ended 30 June 2016 was the Company's first year of operations.

Significant Changes in State of Affairs

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

Events after the Reporting Period

Other than the following, the Directors are not aware of any significant events since the end of the reporting period that may significantly affect the operations or the operating results of the Company.

On 11 July 2016 the Company acquired 25% of the issued shares of JB Broking Ltd, a newly established company. JB Broking Ltd owns 100% of the shares of JB Markets Pty Ltd (formerly Aliom Pty Ltd). JB Markets Pty Ltd holds an Australian Financial Services License (#323182) and operates as a broking firm.

On 5 September 2016 the Company announced it had raised \$1,854,881 through a private placement to sophisticated investors of 1,686,256 new ordinary shares (at \$1.10 per share) with attaching options on a 1 for 1 basis. The proceeds will be used to expand the Company's investment portfolio.

On 5 September 2016 the Company announced it was offering each existing shareholder the opportunity to acquire up to \$15,000 worth of Company ordinary shares with attaching options on a 1 for 1 basis without brokerage and transaction costs. This opportunity opened 9 September 2016 and closed 23 September 2016. Monies raised totalled \$630,091.

Future Developments, Prospects and Business Strategies

The Company will continue to pursue its policy of operating as a Listed Investment Company that invests in global markets through derivative instruments providing exposure to equities, equity indices, bonds, currencies and commodities with the aim of achieving above average returns (whilst limiting volatility) over the medium to long term.

Henry Morgan Limited believes that the world economy is in a reasonable condition and that many assets are undervalued globally, as are many currencies given the escalation of the USD over recent years. This outlook may be contrary to the views of others.

Henry Morgan Limited believes that further stimulus will be added to the world economies.

The Company intends to follow a long-term philosophy of seeking undervalued assets across all asset classes globally, including but not limited to currencies, global equities and precious metals.

DIRECTORS' REPORT

Business Risks

The following exposures to business risk may affect the Company's ability to achieve its objectives:

- Any fall in global or local equity markets, global or local bond markets or a lack of change in the value of the Australian dollar against other major currencies may discourage investors from moving money in and out of equity markets.
- Any investment decisions made by the investment manager (John Bridgeman Limited) that may lead to a negative return in the Company. The investment manager has robust systems and processes in place to manage these business risks. The investment approach of the investment manager is based on the experience of the staff of the investment manager, research into past data and the application of research into mathematical models that attempt to forecast risk and returns. There is a risk that the investment management systems may not be profitable and the Company may suffer a loss.

Environmental Issues

The Company has no direct exposure to environmental regulations.

Meeting of Directors

During the financial year, 7 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Stuart McAuliffe	7	7
John McAuliffe	7	5
Jennifer Hutson	2	2
Brett Heading	-	-
Ross Patane	1	1
Simon Richardson	6	6

DIRECTORS' REPORT

Remuneration Report (audited)

This Remuneration Report outlines the remuneration arrangements of Henry Morgan Limited for the year ended 30 June 2016.

The report details the remuneration arrangements for the key management personnel (**KMP**) within the Company. KMP are defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company, including any director.

During the 2016 financial year, the KMP for the Company comprised the directors of the Company, as set out below. The Company has no other Executives as the investment operations of the Company are managed by the Manager (John Bridgeman Limited) under an Investment Management agreement.

The Remuneration Report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

Remuneration Policy

The remuneration policy of Henry Morgan Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of Henry Morgan Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Company is as follows:

- The remuneration policy is developed and approved by the Board.
- All KMP receive a fixed directors' fee which is based on factors such as relevant industry standards.
- The specific long term incentives for current KMP are derived from their equity interests held in the Manager. The Manager receives fees in accordance with the Management Agreement based on the performance of the Company. Incentives paid in the form of options by the Manager are intended to align the interests of the KMP and Company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board reviews KMP packages annually by reference to the Company's performance and comparable information from industry sectors.

Total remuneration available to the Directors (including executives) is a maximum of \$200,000. Any increase in the aggregate amount of Directors' fees over \$200,000 must be approved by a resolution of the shareholders.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

In addition, the Board's remuneration policy prohibits directors and KMP from using Henry Morgan Limited shares as collateral in any financial transaction, including margin loan arrangements.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to align the goals between shareholders, directors and executives. The method applied to achieve this aim is issue of options by the Manager to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

DIRECTORS' REPORT

Remuneration Report (audited)

Performance-based remuneration

There is currently no performance-based remuneration paid directly by the Company. As discussed above, KMP are incentivised by the options held in the Manager. Measures may be specifically tailored in the future.

Performance Conditions Linked to Remuneration

There are currently no performance conditions linked to remuneration.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial period, members of KMP of the Company. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2016 and any Change during the Period	Details (Duration and Termination)	Proportions of Elements of Remuneration Not Related to Performance	
			Fixed Salary	Total
			%	%
Current KMP				
Stuart McAuliffe	Managing Director	No fixed term	100	100
John McAuliffe	Chairman appointed 21 October 2015	No fixed term	100	100
Ross Patane	Non-Executive Director appointed 31 March 2016 ⁽¹⁾	No fixed term	100	100
Previous KMP				
Simon Richardson	Previous Executive Director	Resigned 31 March 2016	100	100
Brett Heading	Previous Chairman and Non-Executive Director	Resigned 1 September 2015	-	-
Jennifer Hutson	Previous Chairperson and Non-Executive Director	Appointed 1 Sept 2015, resigned 21 Oct 2015	-	-

⁽¹⁾ Ross Patane was originally appointed as director on 13 March 2015, and resigned on 16 August 2015. He was subsequently re-appointed to the Board on 31 March 2016.

Remuneration Expense Details for the Period Ended 30 June 2016

The following table of benefits and payments represents the components of the current period remuneration expenses for each member of KMP of the Company. Such amounts have been calculated in accordance with Australian Accounting Standards.

No remuneration was paid to any KMP for the financial year ended 30 June 2015.

DIRECTORS' REPORT

Remuneration Report (audited)

Table of Benefits and Payments for the Period Ended 30 June 2016

	Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments	Termination Benefits	Total
	Salary, Fees and Leave	Profit Share and Bonuses	Non-monetary	Other	Super and super equivalents	Other	Incentive Plans	LSL	Shares/ Units	Options/ Rights			
Current KMP													
Stuart McAuliffe	26,119	-	-	-	2,481	-	-	-	-	-	-	-	28,600
John McAuliffe	29,132	-	-	-	2,768	-	-	-	-	-	-	-	31,900
Ross Patane	13,059	-	-	-	1,241	-	-	-	-	-	-	-	14,300
Previous KMP													
Simon Richardson	13,059	-	-	-	1,241	-	-	-	-	-	-	-	14,300
Brett Heading	-	-	-	-	-	-	-	-	-	-	-	-	-
Jenny Hutson	-	-	-	-	-	-	-	-	-	-	-	-	-
Total KMP	81,369	-	-	-	7,731	-	-	-	-	-	-	-	89,100

Cash Bonuses, Performance-related Bonuses and Share-based Payments

No options or bonuses were granted as remuneration to KMP during the period.

KMP Shareholdings

The number of ordinary shares of Henry Morgan Limited held by each KMP of the Company, directly or indirectly or by their associates during the financial period is as follows:

KMP Shareholdings

	Granted as		Issued on Exercise of		Other Changes during the Period	Balance at End of Period
	Balance at Beginning of Remuneration Period	during the Period	Options during the Period	the Period		
Current KMP						
Stuart McAuliffe	1,000	-	-	4,000	-	5,000
John McAuliffe	-	-	-	900,000	-	900,000
Ross Patane	-	-	-	5,000	-	5,000
Previous KMP						
Simon Richardson	-	-	-	-	-	-
Brett Heading	-	-	-	-	-	-
Jenny Hutson ⁽¹⁾	-	-	-	-	-	-
	1,000			909,000		910,000

⁽¹⁾During the current year, Jenny Hutson obtained 21,000 shares but ceased being a KMP.

DIRECTORS' REPORT

Remuneration Report (audited)

Other Equity-related KMP Transactions

The number of options in Henry Morgan Limited held by each KMP, directly or indirectly, or by their associates during the financial period is as follows:

	Balance at Beginning of Period	Granted as Remuneration during the Period	Other Changes during the Period	Balance at End of Period
Current KMP				
Stuart McAuliffe	-	-	59,000	59,000
John McAuliffe	-	-	900,000	900,000
Ross Patane	-	-	5,000	5,000
Previous KMP				
Simon Richardson	-	-	-	-
Brett Heading	-	-	-	-
Jenny Hutson ⁽¹⁾	-	-	-	-
	-		964,000	964,000

⁽¹⁾During the current year Jenny Hutson obtained 2,000 options but ceased being a KMP.

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Company and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

Consequences of Performance on Shareholder Wealth

In considering the Company's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year. The Company was incorporated 26 September 2014 and did not operate for the period to 30 June 2015.

	2016	2015
	\$	\$
Profit attributable to owners of the Company	1,240,815	N/A
Dividends paid	Nil	N/A
Operating income growth	N/A	N/A
Change in share price since listing	-0.05	N/A
Return on capital employed	10.65%	N/A

DIRECTORS' REPORT

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Mr Stuart McAuliffe, Managing Director

Dated: 30 September 2016

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement, prepared in accordance with the third edition of Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council, can be found at:

<http://www.henrymorgan.com.au/wp-content/uploads/2016/09/Henry-Morgan-Limited-Corporate-Governance-Statement-updated-September-2016.pdf>



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Henry Morgan Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane
Partner

Brisbane
30 September 2016

Henry Morgan Limited ACN 602 041 770

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	26 September 2014 to 30 June 2015 \$
Net gain on financial instruments at fair value through profit or loss	4	2,531,486	-
Interest income		50,007	-
Accounting and audit costs		(78,821)	-
Commissions paid to investment brokers		(347,161)	-
Directors' fees		(89,100)	-
Insurance costs		(25,913)	-
Management fees	17	-	-
Stock exchange listing and share registry associated costs		(138,996)	-
Other expenses		(128,909)	-
Profit before income tax		1,772,593	-
Income tax expense	5	(531,778)	-
Net profit for the year		1,240,815	-
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of the Company		1,240,815	-
Earnings per share			
Basic earnings per share (cents)	6	15.24	-
Diluted earnings per share (cents)	6	15.24	-

The accompanying notes form part of these financial statements.

Henry Morgan Limited ACN 602 041 770

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	9,307,262	-
Balances held with brokers	8	3,482,473	-
Other assets	9	104,903	1,000
Term deposits	10	5,050,000	-
Derivative assets	10	137,861	-
TOTAL CURRENT ASSETS		18,082,499	1,000
NON-CURRENT ASSETS			
Deferred tax assets	5	340,488	-
TOTAL NON-CURRENT ASSETS		340,488	-
TOTAL ASSETS		18,422,987	1,000
LIABILITIES			
CURRENT LIABILITIES			
Derivative liabilities	10	971,801	-
Payables	11	18,826	-
Current tax payable	5	787,750	-
TOTAL CURRENT LIABILITIES		1,778,377	-
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		1,778,377	-
NET ASSETS		16,644,610	1,000
EQUITY			
Issued capital	12	15,403,795	1,000
Retained earnings		1,240,815	-
TOTAL EQUITY		16,644,610	1,000

The accompanying notes form part of these financial statements.

Henry Morgan Limited ACN 602 041 770

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Note	Share Capital \$	Retained Earnings \$	Total \$
Opening Balance at 1 July 2015		1,000	-	1,000
Comprehensive income				
Profit for the year		-	1,240,815	1,240,815
Other comprehensive income for the year		-	-	-
Total comprehensive profit for the year		-	1,240,815	1,240,815
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	12	15,600,000	-	15,600,000
Costs associated with capital raising (net of tax)	12	(197,205)	-	(197,205)
Total transactions with owners and other transfers		15,402,795	-	15,402,795
Balance at 30 June 2016		15,403,795	1,240,815	16,644,610
Balance on date of incorporation (26 September 2014)		-	-	-
Comprehensive income				
Profit for the year		-	-	-
Other comprehensive income for the year		-	-	-
Total comprehensive profit for the year		-	-	-
Transactions with owners, in their capacity as owners, and other transfers				
Issue of share capital	12	1,000	-	1,000
Total transactions with owners and other transfers		1,000	-	1,000
Balance at 30 June 2015		1,000	-	1,000

The accompanying notes form part of these financial statements.

Henry Morgan Limited ACN 602 041 770

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	26 September 2014 to 30 June 2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net proceeds on sale of investments		3,365,426	-
Payments to brokers for initial trading margin		(3,482,473)	-
Commissions paid to investment brokers		(347,161)	-
Payments for operating and administrative expenses		(497,809)	-
Net cash used in operating activities	7	(962,017)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of financial assets (term deposit)		(5,000,000)	-
Payments for purchase of financial assets held as security		(50,000)	-
Net cash used in financing activities		(5,050,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		15,601,000	-
Payments for issue of shares		(281,721)	-
Net cash provided by financing activities		15,319,279	-
Net increase in cash held		9,307,262	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of the year	7	9,307,262	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: REPORTING ENTITY

Henry Morgan Limited (the 'Company') is a listed investment company domiciled in Australia. Its registered office is at 144 Union Street, Spring Hill, QLD, 4000.

The Company is listed on the Australian Securities Exchange (ASX). The Company was established to invest primarily in exchange traded futures contracts, listed equities as well as exchange traded futures options.

The investment objective of the Company is to achieve moderate to high portfolio returns over the medium to long term. The investment activities of the Company are managed by John Bridgeman Limited ("the Investment Manager").

These financial statements as at and for the year ended 30 June 2016 comprise the Company only.

The financial statements were authorised for issue by the Board of Directors on 30 September 2016.

NOTE 2: BASIS OF PREPARATION

The company is a for-profit entity and these financial statements have been prepared on the historical cost basis except for financial instruments which have been disclosed at fair value through profit or loss.

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

All amounts have been rounded to the nearest whole dollar unless otherwise stated.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

Use of estimates

When measuring the fair value of an asset or a liability, the Company uses quoted prices on an active market as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as described in Note 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on-demand with banks and unrestricted cash held with brokers. Cash and cash equivalents have maturities of 3 or less months from the date of acquisition. They are measured at gross value of the outstanding balance.

b) Trade and Other Receivables

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost.

c) Revenue and Other Income

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

- **Net gain on investments** – Gains and losses arising from changes in the fair value of investments held will be recognised in the statement of profit or loss and other comprehensive income in the year in which they arise.
- **Interest income** – interest income is recognised as it accrues, taking into account the effective yield on the financial asset.
- **Other income** – other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

d) Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future years in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions to the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Company commits itself to purchase or sell the assets.

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments measured at fair value are expensed to the Statement of Profit or Loss and Other Comprehensive Income immediately.

Classification and subsequent measurement

The Company classifies its financial instruments into the following categories:

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities are classified at fair value when they are held for trading. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

(ii) Term deposits

Term deposits are short-term deposits with a maturity of more than 3 months and less than one year. The Company measures term deposits at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the deposit. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the term deposit but not future credit losses.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value is recognised in profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial Instruments (continued)

Impairment on loans and receivables is recorded through the use of allowance accounts; all other impairment losses on financial assets at amortised cost are taken directly against the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

g) Share Capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

h) Trade and Other Payables

All payables and trade creditors are recognised when the Company becomes liable.

i) Expenses

All expenses, including management fees, are recognised in profit or loss on an accruals basis. Interest expense is recognised in profit or loss as it accrues, using the effective interest method.

j) Balances Held With Brokers

Balances held with brokers are monies held by brokers as security against open derivative margins.

k) Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding for the year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue and ordinary shares that the Company expects to issue through the exercise of outstanding options for the year.

l) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as net foreign exchange gains/(losses).

Translation differences on financial assets and liabilities carried at fair value are reported as part of their fair value gain or loss.

m) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the Company are discussed below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 9 Financial Instruments (and applicable amendments) introduces changes in the classification and measurement of financial assets and financial liabilities and impairment of financial assets. This standard becomes mandatory for the 30 June 2019 financial statements. The potential effects on adoption of the standard are yet to be determined. It is available for early adoption but has not been applied by the Company in this financial report.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has yet to determine the potential effects on adoption of this standard.

AASB 2016-1: Amendments: Recognition of deferred tax assets for unrealised losses amends the AASB 12 Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. AASB 2016-1 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Company has yet to determine the potential effects on adoption of this standard.

NOTE 4: NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	\$	\$
Net realised gains/(losses) on financial instruments measured at fair value through profit or loss	3,365,426	-
Net unrealised gains/(losses) on financial instruments measured at fair value through profit or loss	(833,940)	-
	<hr/> 2,531,486	<hr/> -

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5: INCOME TAX

	2016	2015
	\$	\$
a. The components of tax expense comprise:		
Current income tax provision	787,750	-
Movement in deferred tax	(255,972)	-
	531,778	-
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax expense on profit from ordinary activities before income tax at 30%	531,778	-
Income tax expense	531,778	-
c. Current tax payable		
The current tax payable as disclosed on the Statement of Financial Position consists of the current tax payable. No income tax instalments were made during the year thus the balance of the franking account is nil.		
d. Deferred tax asset		
The deferred tax asset figure in the statement of financial position is comprised of:		
	2016	2015
	\$	\$
Unrealised losses on financial assets	250,182	-
Accrued expenses	5,368	-
Capital raising costs	99,940	-
Interest receivable	(15,002)	-
Deferred tax asset	340,488	-
Listing costs recognised in equity	(84,516)	-
Movement in deferred tax recognised in tax expense	255,972	-

NOTE 6: EARNINGS PER SHARE

a. Reconciliation of earnings to profit:		
Profit attributable to ordinary equity holders	1,240,815	-
Earnings used to calculate basic EPS	1,240,815	-
Earnings used in the calculation of dilutive EPS	1,240,815	-
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	8,141,984	-
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	8,141,984	-

The options outstanding over ordinary shares were out of the money and thus not dilutive.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 7: CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
a) Components of cash and cash equivalents		
Cash at bank	3,291,832	-
Cash held with investment brokers - unrestricted	6,015,430	-
	9,307,262	-
	9,307,262	-
b) Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities		
Profit after income tax	1,240,815	-
Adjustments for:		
Unrealised losses on investments	833,940	-
	2,074,755	-
Changes in:		
Due from brokers	(3,482,473)	-
Trade and other receivables	(104,903)	-
Deferred tax asset	(255,972)	-
Trade and other payables	18,826	-
Provisions for income tax	787,750	-
Net cash used in operating activities	(962,017)	-
c) There were no non cash financing or investing activities.		

NOTE 8: BALANCES HELD WITH BROKERS

	2016	2015
	\$	\$
Balances held with brokers	3,482,473	-

This amount represents security against open derivative margins as at 30 June 2016.

The brokers have restricted the use of these funds until the open positions are closed out.

NOTE 9: OTHER ASSETS

	2016	2015
	\$	\$
Prepayments	16,052	-
Other receivables	88,851	1,000
	104,903	1,000

NOTE 10: FINANCIAL INSTRUMENTS

The Company classifies fair value measurement using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

The following table presents a comparison of the carrying value and fair value of the Company's financial assets and liabilities, including their levels in the fair value hierarchy. It does not include information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2016		Carrying amount				Fair value			
\$	Note	Measured at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Derivative assets		137,861	-	-	137,861	137,861	-	-	137,861
		137,861	-	-	137,861	137,861	-	-	137,861
Financial assets not measured at fair value									
Cash and cash equivalents	7	-	9,307,262	-	9,307,262				
Balances held with brokers	8	-	3,482,473	-	3,482,473				
Term deposits		-	5,050,000	-	5,050,000				
		-	17,839,735	-	17,839,735				
Financial liabilities measured at fair value									
Derivative liabilities		971,807	-	-	971,801	971,801	-	-	971,801
		971,801	-	-	971,801	971,801	-	-	971,801
30 June 2015		Carrying amount				Fair value			
\$	Note	Measured at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value - nil									

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11: PAYABLES

	2016	2015
	\$	\$
Trade creditors	888	-
Accrued expenses	17,938	-
	18,826	-
	18,826	-

NOTE 12: ISSUED CAPITAL

	2016	2015
	\$	\$
15,601,000 ordinary shares fully paid (30 June 2015: 1,000)	15,403,795	1,000
	15,403,795	1,000
	15,403,795	1,000

The Company does not have authorised share capital or par value in respect of its issued shares.

	2016	2015
	Shares	Shares
a. Share capital		
Ordinary shares fully paid	15,601,000	1,000
	\$	\$
b. Movements in shares on issue		
Balance at the beginning of the year	1,000	-
Ordinary shares issued on 26 September 2014 at \$1 per share	-	1,000
Ordinary shares issued on 23 December 2015 under the replacement prospectus	15,600,000	-
Share issue costs	(197,205)	-
Balance at the end of the year	15,403,795	1,000

In accordance with the company's replacement prospectus, 15,600,000 fully paid ordinary shares were issued at \$1.00 per share on 23 December 2015.

Ordinary shares participate in dividends and the proceeds on winding-up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

c. Options

In accordance with the Company's replacement prospectus, attached to each ordinary share issued under the prospectus was an option with an exercise price of \$1 per option, exercisable from the date of issue to 31 August 2018. On 23 December 2015, 15,600,000 options were issued. At 30 June 2016, 14,000,000 remained outstanding.

	2016	2015
	Options	Options
d. Movements in options on issue		
Balance at the beginning of the year	-	-
Options issued on 23 December 2015 under the replacement prospectus	15,600,000	-
Options cancelled ⁽¹⁾	(1,600,000)	-
Balance at the end of the year	14,000,000	-

⁽¹⁾1,600,000 options previously held by John Bridgeman Limited were cancelled on 5 February 2016

e. Capital Management

The directors do not intend to use borrowings thus only equity capital is employed in the operations of the Company.

Refer to the discussion of risk management measures used by The Manager to mitigate risks specific to the Company including market risk, credit risk and liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: FINANCIAL RISK MANAGEMENT

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

The Company's investing activities are exposed to a variety of financial risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Manager has been given the discretionary authority to manage and undertake investments in line with the Company's investment objective, investment strategy and guidelines detailed in the replacement Prospectus dated 5 November 2016.

The Manager is required to act in accordance with the Management Agreement and to report to the Board regularly on the portfolio's performance, material actions of the Manager during the quarter and an explanation of the Manager's material proposed actions for the upcoming quarter. The Manager is also responsible for designing and implementing day to day risk management and internal control systems which identify material risks for the Company.

The oversight and management of the Company's risk management program has been conferred upon the Board of Directors. The Board is responsible for reviewing that the Company maintains effective risk management and internal control systems and processes.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices such as foreign exchange rates, interest rates, equity prices and credit spreads.

The Company is predominantly exposed to market risk from its investment activities. The exposure arises from investing in currency futures on regulated future exchanges. The Company seeks to reduce the risk through a number of measures including diversifying across different futures markets, investing in a mixture of long and short positions and controlling the futures positions in each market to reflect the Company's assessment of volatility risk. The Company's market risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place.

The Company may use derivative instruments to manage its exposure to market risk. Derivatives are not permitted to be used for gearing purposes.

(i) Currency Risk

The Company invests in global futures and enters into transactions that are denominated in currencies other than its functional currency. Consequently, the Company is exposed to the movements in exchange rates that may have an adverse effect on the fair value of future cash flows of the Company's financial assets or financial liabilities denominated in currencies other than Australian dollars.

The Manager considers currency valuations at the entity level when making investment decisions, however the Company's investment portfolio is typically unhedged. Currency exposure may be hedged defensively where the Manager sees a significant risk of currency weakness.

The Company did not hold any derivative instruments to manage its exposure to currency risk at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises the Company's net currency exposure from its financial assets and financial liabilities, monetary and non-monetary, at the reporting date:

	Net Currency Exposure	
	2016	2015
	\$	\$
Australian Dollar	15,202,527	1,000
United States Dollar	540,646	-
Great Britain Pound	846,454	-
Hong Kong Dollar	86,502	-
Japanese Yen	(24,652)	-
Euro	(452,258)	-
	16,199,219	1,000

Currency risk sensitivity analysis

The following table sets out the impact on the Company's profit and net assets from possible currency movements:

	Sensitivity rates	Strengthened	Weakened	Strengthened	Weakened
		30 June	30 June	30 June	30 June
		2016	2016	2015	2015
		%	\$	\$	\$
United States Dollar	10	(54,065)	54,065	-	-
Great British Pound	8	(67,716)	67,716	-	-
Hong Kong Dollar	8	(6,920)	6,920	-	-
Japanese Yen	8	1,972	(1,972)	-	-
Euro	8	36,181	(36,181)	-	-

The sensitivity analysis is based on the assumption that the Australian dollar strengthened or weakened by the sensitivity rates against the other currencies. The sensitivity rates represent the Manager's estimate of a reasonably possible movement in foreign currency exchange rates given the current exchange rates and the historic volatility and assumes all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market Risk (Continued)*(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company can hold up to 25% of its investment portfolio in cash and cash equivalents at bank. Consequently, the Company is exposed to the changes in market interest rates that may have a negative impact, either directly or indirectly, on the investment return.

The following table summarises the Company's exposure to interest rate risk at the reporting date:

	Non-interest bearing	Floating interest rate	Fixed interest rate	Total
	\$	\$	\$	\$
30 June 2016				
Financial Assets				
Cash and cash equivalents – at bank	3,291,832	-	-	3,291,832
Cash and cash equivalents – held with brokers (unrestricted)	6,015,430	-	-	6,015,430
Balances held with brokers (restricted)	3,482,473	-	-	3,482,473
Term deposit	-	-	5,050,000	5,050,000
	12,789,735	-	5,050,000	17,839,735

30 June 2015**Financial Assets – nil*****Interest rate risk sensitivity analysis***

A change of 1% in interest rates applicable at the reporting date would have affected the Company's profit and net assets by \$15,630. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Maturity analysis

Cash and cash equivalents, both at bank and held with brokers (unrestricted) are at call. Restricted balances held with brokers are monies secured against open trading positions. These monies are released by the broker on settlement of open positions. All trading positions are short-term in nature. Term deposits have a maturity of greater than 3 months and less than one year.

(iii) Price Risk

Market prices fluctuate due to a range of factors specific to the individual investments or factors affecting the market in general. Price risk exposure arises from the Company's open derivative positions.

The Manager's investment decision process is fundamental to the management of price risk. The Manager undertakes extensive assessment of market dynamics, considers the impact of key events, changes in leading indicators as well as market extremes before investing, investing further capital or exiting investments. The additional general control that applies to the Company's investment portfolio is that no investment will be executed by the Manager that will result in greater than 50% of the Company's total capital invested in futures products.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market Risk (Continued)**Price risk sensitivity analysis**

An increase of 15% in market prices applicable at the reporting date would have increased the Company's profit and net assets by \$125,091 (2015: N/A). A decrease of 15% in market process would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

b) Credit Risk

Credit risk is the risk of a counterparty failing to meet its financial obligations or contractual commitments resulting in a financial loss to the Company. The Company ensures all liquid assets are held with highly rated Australian retail banks and stockbrokers.

Cash, balances held with brokers and term deposits are held with highly rated Australian retail banks (AA-) and trading activities are conducted through unrated and A rated stockbrokers. These liquid assets are categorised as follows:

Risk rating	Amount
	\$
AA-	8,341,832
A	3,529,647
Unrated	5,968,256
	<u>17,839,735</u>

The maximum exposure to credit risk for derivatives is any unrealised profit and margins paid on the positions that the Company held at the reporting date. The credit risk exposure for cash, deposit holdings and debt securities is the carrying amount at the reporting date.

Transactions in listed securities will be entered with approved brokers. The risk of default is considered low because payment is only made once a broker has received the securities and delivery of securities sold only occurs once the broker received the payment.

At 30 June 2016, other receivables were neither past due nor impaired.

c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The following table summarises the contractual maturity of the Company's financial liabilities at the reporting date:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity Risk (Continued)

	Carrying amount	Contractual cash flow	At call	6 months or less
	\$	\$	\$	\$
30 June 2016				
Financial liabilities				
Open derivative positions, net	833,940	833,940	-	833,940
Current tax payable	787,750	787,750	-	787,750
Payables	18,826	18,826	-	18,826
Total	1,640,516	1,640,516	-	1,640,516

30 June 2015 - nil

The Company's approach to managing liquidity risk is to ensure it has sufficient liquidity to meet these liabilities. The majority of its investment portfolio is considered readily realisable within 6 months. The ratio of liquid investments to outflows was 10.9 (2015 N/A).

NOTE 14: CONTINGENT LIABILITIES

The Company has no contingent liabilities. The contingent liabilities noted at 30 June 2015 have been settled during the year ended 30 June 2016.

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's key management personnel (KMP) for the year ended 30 June 2016.

The total remuneration paid to KMP of the Group during the year are as follows:

	2016	2015
	\$	\$
Short-term employee benefits and fees	80,634	-
Post-employment benefits	8,466	-
Total KMP compensation	89,100	-

Short-term employee benefits and fees

In accordance with agreement reached Directors fees were payable once the Company commenced operations and this occurred 6 January 2016.

Post-employment benefits

These amounts represent superannuation and superannuation equivalents paid to KMP.

Further information in relation to KMP remuneration can be found in the directors' report.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: RELATED PARTIES

All transactions with related parties are conducted on normal commercial terms and conditions, and include:

- (i) The management fee and performance fee to be paid to the investment manager, John Bridgeman Limited. Refer Note 17.
- (ii) The compensation arrangements with the Chairperson and each of the Executive Directors;
- (iii) The interest in the Company held directly and indirectly by the Chairperson, Executive Directors and investment Manager (refer to the Directors' Report for details of directors' holdings).

(a) Directors' remuneration

Directors' remuneration has been paid for the period commencing 1 January 2016 as that was when the Company commenced its operations.

The following sets out the Directors' remuneration paid (including superannuation and superannuation equivalents):

Director	Position	Independence	Directors' Fees \$
John McAuliffe	Chairperson and Non-Executive Director	Not Independent	31,900
Stuart McAuliffe	Executive Director	Not Independent	28,600
Ross Patane	Non-Executive Director	Not Independent	14,300
Simon Richardson	Previous Executive Director	Not Independent	14,300
Brett Heading	Previous Chairperson and Non-Executive Director	Independent	-
Jenny Hutson	Previous Chairperson and Non-Executive Director	Independent	-

John McAuliffe, Stuart McAuliffe and Ross Patane are currently Directors' of the Investment Manager.

Accordingly the Board of Directors has determined that John McAuliffe, Stuart McAuliffe and Ross Patane are not independent.

NOTE 17: MANAGEMENT FEES

In accordance with the management services agreement dated 12 March 2015, the investment manager, John Bridgeman Limited, will receive a management fee of 2.0% 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 terms of the performance fee are:

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 backs and payment of dividends.

The Company has been advised that the Board of Directors of the investment manager (John Bridgeman Limited) has determined that it will not charge a management fee to the Company related to the year ended 30 June 2016. If a management fee was charged by the investment manager net profit after tax would have been reduced by \$432,796 after tax.

The Directors of the Company understand that the management fee will be charged from 1 July 2016.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: RELATED PARTY TRANSACTIONS

During the year ended 30 June 2016, John Bridgeman Limited (a related Company and the investment manager) subscribed to \$7.4 million in share capital with an option attached on a 1 for 1 basis, of the Company. On 18 January 2016, John Bridgeman transferred 5,800,000 shares with attached options to sophisticated investors at \$1 per share. As at 30 June 2016 and today's date, John Bridgeman holds 2,150,000 shares and 550,000 options.

Stuart McAuliffe, John McAuliffe and Ross Patane are Directors of John Bridgeman Limited.

The Company has contracted John Bridgeman Limited to act as asset manager. The terms of remuneration payable for these services are detailed in Note 17.

NOTE 19: AUDITOR'S REMUNERATION

	2016	2015
	\$	\$
Remuneration of the auditor (KPMG) for		
– audit and review of financial reports	41,000	10,000
– Capital raising and associated services	15,000	-
	<hr/> 56,000	<hr/> 10,000

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 11 July 2016 the Company acquired 25% of the issued shares of JB Broking Ltd, a newly established Company. JB Broking Ltd owns 100% of the shares of JB Markets Pty Ltd (formerly Aliom Pty Ltd). JB Markets Pty Ltd holds an Australian Financial Services License (#323182) and operates as a stockbroker.

On 5 September 2016 the Company announced it had raised \$1,854,881.60 through a private placement to sophisticated investors of 1,686,256 new ordinary shares (at \$1.10 per share) with attaching options on a 1 for 1 basis. The proceeds will be used to expand the Company's investment portfolio.

On 5 September 2016 the Company announced it was offering existing shareholders the opportunity to acquire up to \$15,000 worth of Company ordinary shares with attaching options on a 1 for 1 basis without brokerage and transaction costs. This opportunity opened 9 September 2016 and closed 23 September 2016. Monies raised totalled \$630,091.

NOTE 21: SEGMENTS

Operating segments are identified based on separate financial information which is regularly reviewed by the Managing Director (representing the Chief Operating Decision Maker) in assessing performance and determining the allocation of resources.

As the Company operates in only one segment, all results of the Company, as presented in this financial report, relate to the financial services segment for the current and prior financial years.

The Company operates in one geographical segment being Australia.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Henry Morgan Limited ("the Company"):
 - (a) the financial statements and notes that are set out on pages 13 to 33 and the Remuneration report in pages 7 to 10 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of the performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Managing Director and for the year ended 30 June 2016.
3. The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.



Director

Mr Stuart McAuliffe

Dated this 30th day of September 2016.



Independent auditor's report to the members of Henry Morgan Limited

Report on the financial report

We have audited the accompanying financial report of Henry Morgan Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Henry Morgan Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the Directors' Report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Henry Morgan Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
30 September 2016

Henry Morgan Limited ACN 602 041 770

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 19 September 2016

1. Shareholding

a. Distribution of Shareholders

Category (size of holding):	Number	
	Ordinary	Options
1 – 1,000	7	1
1,001 – 5,000	88	98
5,001 – 10,000	63	68
10,001 – 100,000	100	79
100,001 and over	18	18
	276	264

b. The number of shareholdings held in less than marketable parcels is Nil.

c. The names of the substantial shareholders listed in the Company's register are:

Shareholder:	Number	
	Ordinary	Options
Henry Avery Partners Pty Ltd	2,150,000	2,150,000
John McAuliffe	3,050,000	3,050,000
John Hawkins Pty Ltd	2,150,000	2,150,000
Stuart McAuliffe	3,053,000	3,053,000
The Trust Company (Superannuation) Limited <DIY Mater Plan>	785,900	785,900

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Ordinary share options

- These options have no voting rights.

Henry Morgan Limited ACN 602 041 770

e. **20 Largest Shareholders – Ordinary Shares**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Mr Jarrad Robert Stuart <Stuart Investment A/c>	2,251,000	13.02
2. John Bridgeman Limited	2,150,000	12.44
3. HSBC Custody Nominees (Australia) Limited	2,123,926	12.29
4. Elders FMC Pty Ltd	1,240,000	7.17
5. Victor John Plummer	1,131,231	6.54
6. Elders FMC Pty Ltd	967,272	5.60
7. Tetue Pty Ltd	900,000	5.21
8. Nilcoy Pty Ltd <The Stuart Family S/F A/c>	700,000	4.05
9. Mr Peter John Gilbank & Mrs Denis Gilbank <The Gilbank Family S/F A/c>	250,000	1.45
10. Mrs Margaret Joyce Stuart	250,000	1.45
11. Mr Robert John Stuart	250,000	1.45
12. Lyle Patricia Marcus	200,000	1.16
13. Mark Russell Palfreyman	200,000	1.16
14. Lic Investments Pty Ltd <Lic Investments Unit A/c>	173,500	1
15. Truebell Capital Pty Ltd <Truebell Investment Fund>	165,000	0.95
16. Mr Peter Alexander Beveridge & Mrs Anne Jean Beveridge <Beveridge Super A/c>	150,000	0.87
17. Mr John Alfred Clarebrough & Mrs Pamela Judith Clarebrough <Warrawee Super Fund A/c>	145,000	0.84
18. Knablig Pty Limited <The Gilbank Family A/c>	125,000	0.72
19. Paul Damjanovic <Damjanovic Family A/c>	100,000	0.58
20. New Wood Enterprises Ltd	100,000	0.58
	13,571,929	78.53

Henry Morgan Limited ACN 602 041 770

f. **20 Largest Shareholders – Ordinary Share Options**

Name	Number of Ordinary Share Options	% Held of Ordinary Share Options
1. Mr Jarrad Robert Stuart <Stuart Investment A/c>	3,100,000	19.76
2. Elders FMC Pty Ltd	2,329,700	14.85
3. HSBC Custody Nominees (Australia) Limited	1,963,342	12.52
4. Tetue Pty Ltd	900,000	5.74
5. Nilcoy Pty Ltd <The Stuart Family S/F A/c>	700,000	4.46
6. John Bridgeman Limited	550,000	3.51
7. Mr John Alfred Clarebrough & Mrs Pamela Judith Clarebrough <Warrawee Super Fund A/c>	344,472	2.20
8. Mr Peter John Gilbank & Mrs Denis Gilbank <The Gilbank Family S/F A/c>	250,000	1.59
9. Victor John Plummer	250,000	1.59
10. Mrs Margaret Joyce Stuart	250,000	1.59
11. Mr Robert John Stuart	250,000	1.59
12. Lyle Patricia Marcus	200,000	1.28
13. Mark Russell Palfreyman	200,000	1.28
14. Mr Peter Alexander Beveridge & Mrs Anne Jean Beveridge <Beveridge Super A/c>	181,777	1.16
15. Truebell Capital Pty Ltd <Truebell Investment Fund>	165,000	1.05
16. Knablig Pty Limited <The Gilbank Family A/c>	125,000	0.08
17. Merric Investments Pty Ltd <Merric Super Fund A/c>	102,273	0.65
18. Mr Nicholas Chant	100,009	0.64
19. Paul Damjanovic <Damjanovic Family A/c>	100,000	0.64
20. John Charles Mulholland	100,000	0.64
	12,161,573	77.54

2. The name of the Company secretary is Jody Wright.
3. The address of the principal registered office in Australia is 144 Union Street, Spring Hill, Qld, 4000. Telephone 1300 155 396.
4. Registers of securities are held at the following addresses:
Qld Link Market Services, Level 15, 324 Queen Street, Brisbane, Qld, 4000.

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares and the ordinary share options of the Company on all Member Exchanges of the Australian Securities Exchange.