



Henry Morgan

Henry Morgan Limited  
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23 September 2019

Ms Lisa Banh  
Senior Adviser, Listings Compliance  
Australian Stock Exchange

By Email: [lisa.banh@asx.com.au](mailto:lisa.banh@asx.com.au)

Dear Ms Banh,

## RESPONSE TO QUERY LETTER

We refer to your letter dated 18 September 2019 and provide the following response.

### Question 1

1. The decision to extend the loan to John Bridgeman Limited was made by the Company on 28 June 2019.
2. John Bridgeman Limited had requested the extension.
3. In making the decision, the Board of Henry Morgan Limited (**ASX: HML**) took into account all relevant circumstances, including the cashflow position of the Company at the time, and the benefits and disadvantages of extending the term of the loan. The Company also considered the financial position of John Bridgeman Limited and its capacity to continue to pay the loan over an extended period. It was considered that the decision was in the best interests of the Company based on the following:
  - a. The loan facility attracts interest of 11.5% per annum which provides an attractive stable return to the Company;
  - b. An extension of the term of the agreement provides the Company with the certainty of the return of capital over a longer period of time at an attractive interest rate in the market at the time; and
  - c. The proposed extension would not adversely impact the financial position of the Company. As at 30 June 2019, in addition to cash and cash equivalents of \$11,122, the Company had a receivable of \$50,000 as deferred consideration in relation to the sale of an unlisted investment and foreign currency bank notes in the vicinity of \$331,481 which were callable, and certain capital raising strategies had been raised as potential corporate actions.

### Question 2

4. This decision was made based on financial data made available to Henry Morgan Limited at the time including projected cash flow forecasts as presented by John Bridgeman Limited and included an analysis of financial data and the potential for John Bridgeman Limited to raise capital and obtain external funding.



### Question 3

5. The decision to extend the novated loan to JB Financial Group Pty Ltd was made on 28 June 2019 and also involved a decision to agree to novate the loan from Capital Credit Pty Ltd to JB Financial Group Pty Ltd.
6. In making the decision, the directors took into account all of the relevant circumstances including the financial position of both Capital Credit Pty Ltd and JB Financial Group Pty Ltd, and the financial position of the Company. It was considered that the decision was in the best interests of the Company based on the following:
  - a. The facility with Capital Credit Pty Ltd attracted interest at 5% per annum and was due to expire on 7 January 2020;
  - b. The proposal to novate the loan to JB Financial Group Pty Ltd was commercially logical as JB Financial Group Pty Ltd had a stronger balance sheet than Capital Credit Pty Ltd and the financial capacity to service the loan;
  - c. The proposed novation and extension would not adversely impact the financial position and performance of the Company. As at 30 June 2019, in addition to cash and cash equivalents of \$11,122, the Company had a receivable of \$50,000 as deferred consideration in relation to the sale of an unlisted investment and foreign currency bank notes in the vicinity of \$331,481 which were callable, and certain capital raising strategies had been raised as potential corporate actions.

### Question 4

7. In relation to the "High-Water Mark " question, the "High-Water Mark" forms part of the definition of the calculation of the performance fee. The scope of works under which lawyers have been retained is to "undertake review of performance fee calculations since inception and interpretation of the management services agreement (as varied)".
8. As the Company is currently seeking this legal advice it is unable to provide further disclosure until that advice has been finalised.

### Question 5

9. The Company expects to receive the legal advice in the near future.

### Question 6

10. The Company is currently undertaking these enquiries and any relevant disclosures will be made upon conclusion of these enquiries.

### Question 7

11. The Company confirms that it is in compliance with Listing Rule 3.1.

### Question 8

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

**Jody Wright**  
**Company Secretary**  
**Henry Morgan Limited**



18 September 2019

Reference: 07333

Ms Jody Wright  
Company Secretary  
Henry Morgan Limited  
Level 9, 123 Eagle Street  
Brisbane QLD 4000

By email:

Dear Ms Wright

**HENRY MORGAN LIMITED (“HML”): ASX QUERY**

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

- A. HML’s preliminary final report for the year ended 30 June 2019 released on the ASX Market Announcements Platform on 4 September 2019 (“Appendix 4E”), in particular, Note 5(a) on page 11 which discloses the following:

(a) On 8 August 2018 the Company entered into a short term agreement with JBL to lend them \$2,411,000 with a maturity date one year at 11.5% pa interest. On 16 October 2018 the term of the loan was extended to 8 February 2020 which was further extended on the 28 June 2019 to 31 March 2021. Management have considered the recoverability of the loan and have impaired the asset by \$600,000 based on estimates of the recoverable amount that JBL is expected to be able to repay.

On 10 July 2017, the Company entered into a short term agreement with Capital Credit Pty Ltd ('Capital Credit') (formerly Growth Point Capital Limited) (a controlled entity of the Investment Manager for accounting standard purposes). A maturity date of one year from the advance date applied, together with a 5% p.a. interest rate. On the 10 July 2018, the loan was extended until 7 January 2020.

On 28 June 2019 the facility with Capital Credit was novated to JB Financial Group Pty Ltd ('JBFG'). Following the novation, management have reassessed the loan's recoverability based on JBFG's ability to pay its debts as and when they fall due and have reversed the previous period impairment made of \$250,000 which has been taken directly to the profit and loss account. The term of the loan was extended to the 31 March 2021. The balance outstanding at 30 June 2019 was \$449,063.

- B. Note 6(b) on page 12 of the Appendix 4E which discloses the following in relation to \$331,481 worth of foreign currency banknotes (the “Banknotes”):

(b) As at 30 June 2019 foreign currency banknotes are held in the custody of Kings Currency Exchange Pty Ltd ('Kings') (a controlled entity of the Investment Manager for accounting purposes). The banknotes are traded and managed by Kings on behalf of the Company under a services agreement which provides for a minimum return to the Company of 5% per annum on the Australian dollar value of the banknotes. Realised returns over 5% per annum on the banknotes are retained by Kings as a fee for trading the banknotes on behalf of the Company. As the owner of these banknotes, any foreign exchange movement in the value of the banknotes accrues to the Company. The Company has designated the instrument at fair value through profit or loss. The Company earned \$19,173 trading fee (30 June 2018: nil) and a foreign exchange gain of \$1,112 (30 June 2018: nil) on the banknotes during the year. \$2,148 of the fee remained collectable at 30 June 2019 (30 June 2018: nil).

- C. Note 12 on page 15 of the Appendix 4E which discloses the following as a contingent liability:

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During the financial year a complete review since inception of the Company's management fee and performance fee calculations under the Company's Management Services Agreement with John Bridgeman Limited has been performed. In the course of this review, a question has arisen as to the interpretation of the "High-Water Mark" for the purposes of the performance fee calculation. The Company is currently seeking external legal advice on the calculation of the performance fee payable by the Company to John Bridgeman Limited in compliance with the Management Services Agreement. Upon the Company's receipt of this external legal advice, the Company will advise shareholders of the outcome of its enquiry through a release on the ASX platform.

- D. The announcement released by Benjamin Hornigold Limited ("BHD") titled "Update on Kings Currency Notes" released on the ASX Market Announcements Platform on 13 September 2019, advising of correspondence received from a third party claiming to hold a fixed charge over the BHD's banknotes held by Kings Currency Exchange Pty Ltd ("Kings Currency"). If this claim is correct, the fixed charge appears to have been granted by Kings Currency without the knowledge or consent of BHD.

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

1. Please explain the rationale for HML further extending the term of the \$2,411,000 loan to John Bridgeman Limited ("JBL") on 28 June 2019 to 31 March 2021. In answering this question, please also address HML's short term funding requirements, noting that as at 30 June 2019 it had cash (and cash equivalents) of \$11,122.
2. What analysis did the board of HML perform to lead it to impair the recoverable amount of the loan to JBL by \$600,000?
3. Please explain the rationale for HML further extending the term of the \$449,063 loan novated to JB Financial Group Pty Ltd ("JBFG") to 31 March 2021. In answering this question, please also address HML's short term funding requirements, noting that as at 30 June 2019 it had cash (and cash equivalents) of \$11,122.
4. Please provide a full account of the question that "...has arisen as to the interpretation of the "High-Water Mark" for the purposes of the performance fee calculation."
5. When does HML expect to receive the external legal advice on the calculation of the performance fee payable to JBL?
6. Following the announcement made by BHD on 13 September 2019, has HML made enquiries with Kings Currency to ascertain whether or not the Banknotes have similar charges over them? If not, why not and is HML aware of any charges or security interests granted over the Banknotes? If so, what was the outcome of these enquiries?
7. Please confirm that HML is in compliance with the listing rules and, in particular, Listing Rule 3.1.
8. 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 AEST, Monday 23 September 2019.**

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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](mailto: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.

Regards

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**Lisa Banh**  
Senior Adviser, Listings Compliance (Sydney)