HGL Limited

ABN 25 009 657 961

Annual financial report
30 September 2021

HGL Limited
Appendix 4E
Preliminary Final Report
Year ended 30 September 2021

Name of entity
HGL Limited

Reporting period:	30 September 2021
Previous corresponding period:	30 September 2020

Results for announcement to the market

				Current Period 30 Sep 21 $'000	Previous Period 30 Sep 20 $'000
Revenues from ordinary activities of Continuing Operations				-	38,095
Profit from ordinary activities of Continuing Operations after tax attributable to members				15,599	(13,011)
Net profit for the period attributable to members				15,599	(13,011)
Earnings per share from Continuing Operations (cents per share)				11.6	(19.3)
Net tangible assets per share (cents per share)	UP	54.7%	TO	26.3	17.0

Distributions

	Amount per security (Cents)	Franked amount per security (Cents)	Total amount paid / payable ($000's)
Proposed Final dividend (per share)	1.00	1.00	1,789
Previous corresponding period	-	-	-
Interim ordinary dividend (per share)	-	-	-
Previous corresponding period	-	-	-

Explanation of results

HGL adopted the 'investment entity' basis of accounting during the period, as defined in the accounting standards. Accordingly, the current period and prior period results are not comparable.

A detailed explanation of the financial performance for the year is contained in the Operating and Financial Review within the Directors report.

Changes in controlled entities

In November 2020 the Company sold its interest in Baker & McAuliffe Holdings Pty Ltd (trading as JSB Lighting) to ASX listed FOS Capital Ltd. Refer to note 7(b) for more information.

In March 2021 the Company acquired all of the equity in Supervised Investments Australia Ltd. Refer to Note 7(a) or more information.

In September 2021 the Company reached agreement to sell its interest in BLC Cosmetics Pty Ltd to ASX listed Cellmid Ltd. The transaction completed In November 2021. Refer to note 8 for more information.

Audit

This report is based on accounts which have been reviewed by the Auditors. There has been no dispute or qualification in relation to these accounts or this report.

HGL Limited
ABN 25 009 657 961
Annual financial report - 30 September 2021

Corporate directory

Directors	Alexander (Sandy) Beard B.Com, FCA, MAICD (appointed 29 October 2020) *Chair*
	Kevin Eley CA, F Fin, FAICD *Director*
	Peter Miller FCA, FAICD *Director*
	Cheryl Hayman B.Com, FAICD *Director*
	Joseph Constable BA(Hons), MPhil *Director*
Secretary	Iain Thompson BEc (Accg), CA, Grad dip CSP, FGIA, GAICD
Registered office	Unit 4 17 Stanton Road Seven Hills NSW 2147 Australia
Principal place of business	Suite 803, Level 8 25 Bligh Street Sydney NSW 2000 Australia
Share registry	Computershare Investor Services Pty Ltd Level 4, 60 Carrington Street Sydney NSW 2000 1300 855 080
Auditor	UHY Haines Norton Sydney Level 11, 1 York Street Sydney NSW 2077
Stock exchange listings	ASX: HNG (not HGL)
Website address	www.hgl.com.au

Directors' report

Your directors submit their report for the year ended 30 September 2021.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Alexander (Sandy) Beard (Appointed 29/10/2020)
Kevin Eley
Peter Miller
Cheryl Hayman
Joseph Constable

Alexander (Sandy) Beard, B.Com, FCA, MAICD (Chair)

Executive Chair, appointed 29 October 2020. Alexander ‘Sandy’ Beard has been a Director of numerous public and private companies over the past 25 years. He is the former Chief Executive Officer of CVC Limited (ASX:CVC). He is a professional investor and has extensive experience with investee businesses, both in providing advice, assisting in acquisitions and divestments, capital raisings and in direct management roles, especially bringing management expertise to small cap companies in driving shareholder returns. Sandy is a Director of Centrepoint Alliance Ltd (ASX:CAF), Pure Foods Tasmania (ASX:PFT) and FOS Capital Ltd (ASX:FOS).

Kevin Eley, CA, F Fin, FAICD (Director)

Non executive Director, appointed 1985. Chair 5 June 2020 to 29 October 2020. Kevin Eley is a Chartered Accountant with significant executive and director experience, including as Chief Executive Officer of HGL Ltd from 1985 to 2010. Kevin has been the lead director on the board for Audit and Risk matters since 2018. He is a director of EQT Holdings Ltd (ASX: EQT) and Pengana Capital Group Ltd (ASX: PCG), and was a Director of Milton Ltd (ASX: MLT) until it was taken over by Washington H. Soul Pattinson in October 2021.

Peter Miller, FCA, FAICD (Director)

Non executive Director, appointed 2000. Peter Miller is a Chartered Accountant with over 45 years experience in public practice. Peter was Chair of the Company for many years, and was also a member of the Nomination and Remuneration Committee, and of the Audit and Risk Committee until their functions were absorbed by the full board.

Cheryl Hayman, B.Com, FAICD (Director)

Non executive Director, appointed 2016. Cheryl Hayman brings international experience including significant strategic and marketing expertise derived from a 20 year corporate career which spanned local and global consumer retail organisations. Her skills include developing marketing and business strategy across diverse industry segments, growth orientated innovation and product development. Cheryl has expertise in traditional and digital communications and business transformation. Cheryl is the lead director on the board for Nomination and Remuneration matters. Cheryl is a director of Shriro Holdings Ltd (ASX: SHM), Beston Global Food Company Ltd (ASX: BFC), a director of Chartered Accountants ANZ, as well as other unlisted and not-for-profit companies. She was a director of Clover Corporation Ltd (ASX: CLV) until her retirement from that board in November 2020.

Joseph Constable, BA(Hons), MPhil (Director)

Executive Director, appointed 30 June 2020. Joseph has five years experience in equity markets. He is a Portfolio manager and Responsible manager for H&G Investment Management Ltd (formerly Supervised Investments Australia Ltd). He has previous investment experience at Hunter Hall International and UK-based Smith and Williamson. Joseph has a Bachelor of Arts with Honours from the University of Melbourne and a Master of Philosophy from the University of Oxford. Joseph brings to the board research and analytical skills in addition to knowledge of investing in public markets.

Directors (continued)

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of HGL Limited were:

	Number of Options	Number of direct shares	Number of indirect shares
Alexander (Sandy) Beard	6,000,000	9,390,724	9,875,000
Kevin Eley	-	-	2,971,180
Peter Miller	-	234,469	25,549,971
Cheryl Hayman	-	-	441,000
Joseph Constable	-	274,357	-

Key management personnel

The following names and details are of the key management personnel of the Company. Key management personnel were in office for the entire period unless otherwise stated.

Chief Financial Officer & Company Secretary
Iain Thompson,BEc (Accg), CA, Grad dip CSP, FGIA, GAICD

Appointed CFO / Company Secretary in 2015, Iain has 30 years experience in finance and company secretarial roles, including over a decade at ASX listed Brickworks Ltd. He also has directorship experience in the Not For Profit sector, focussing on early childhood intervention.

Iain is a Chartered Accountant, a member of the Governance Institute of Australia, and a member of the Australian Institute of Company Directors.

Investment director
Nicholas Atkinson, MBA, B.Com, GradDipAppFin

Nicholas is Investment Director of HGL Investments Pty Ltd, appointed 21 June 2021. Nicholas has more than 25 years of investment experience spanning capital markets, corporate finance, and investment management. He served as the Executive Director of Institutional Equities at Morgans Financial for 14 years, where he oversaw the growth of the division's profitability. Having gained global experience in London & New York, Nicholas has expertise in the Energy, Healthcare & Small-Capitalization sectors. He has a passion for assisting companies grow organically and through acquisitions.

Investment Director
Phillip Christopher, BEc, BCom

Phillip has been an Investment Director of HGL investments Pty Ltd since 17 May 2021. Phillip has over 12 years of experience across private equity, capital markets and investment management. Prior to joining the Group he was a Director in Private Equity at Alceon Group and a member of the Investment Banking Division of Goldman Sachs. Phillip is a director of Cellmid Limited and Pegasus Healthcare.

Dividends

There were no dividends paid during the financial year. Since the end of the financial year the directors have declared a fully franked dividend for the year ended 30 September 2021 of 1 cent per share to be payable on 3 December 2021. The dividend reinvestment plan will not apply to this dividend.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) was established by the directors to provide shareholders with the opportunity of reinvesting their dividends in ordinary shares in the Company. No brokerage is payable if shares are allotted under the DRP. Participation is open to shareholders with a registered address in Australia or New Zealand, and holding more than 1,000 shares.

During the year there were no shares issued under the DRP.

Share buy-back

There were no shares bought back during the current financial year

Principal activities

During the period the principal activities of the Group consisted of investing in diversified asset categories, including listed and unlisted equities, and private equity investments. HGL provides active support to those investees in which we hold a significant equity stake, including facilitation of some services and secondment of personnel.

Operating and financial review

Overview

HGL refined its investment approach during the financial year ended 30 September 2021 through a combination of well supported capital raisings, recruitment of a new investment team and active management of its portfolio of investments, which included the divestment of long-term investee companies and focus on owner operated businesses.

Statutory Net Profit after Tax of $15.6 million was reported, which included:

- Realisations of the portfolio of private equity investments;
- Dividend income, recoupment of costs and other transactions with investees;
- Share trading profits;
- Management and performance fees from funds management activities;
- Net revaluation gains on private equity investments; and
- Recognition of a Deferred Tax Asset.

A natural progression of this refinement was the adoption of an 'investment entity' accounting approach, where investee entities are recognised on the balance sheet at fair value, with changes in the value during the reporting period recognised through profit and loss. The board considered that this approach allows shareholders and investors to better understand the underlying value of the portfolio of investments held by the Group, and allow interested parties to make an informed decision on the value of the Group as a whole.

A key profit measure adopted by the board following this change is Net Profit before Tax and unrealised revaluation gains on unlisted investments, which provides a better indication of distributable earnings.

Net profit before tax includes revaluation gains arising on the change of accounting basis for investment entities. These revaluation amounts include an embedded revaluation component relating to the difference between the net assets of the subsidiary at 30 September 2020 and the fair value of the subsidiary on a standalone basis on 1 October 2020.

	2021 **$'000**
Net Profit after Tax	**15,599**
Deduct:	
Income tax benefit	**(364)**
Revaluation gains on unlisted investments	**(10,634)**
	4,601

Net assets at 30 September 2021 were $47.8 million, or 26.3 cents per share Net Tangible Assets.

This does not include contingent gross tax assets of $36.6 million comprising $24.6 million of revenue losses and $12.0 million of capital losses which are not reflected in the balance sheet. These losses remain subject to satisfaction of the Continuity of Ownership Test or Same Business Test prior to usage.

Dividends and Capital management

The performance of the Group has allowed Directors to declare a fully franked final dividend of 1.0 cent per share to shareholders on the register at 5pm on 25 November 2021, which will be paid on 3 December 2021.

Operating and financial review (continued)

Dividends and Capital management (continued)

The Company was able to recapitalise the balance sheet during the year following two strongly supported capital raisings:

- A private placement and rights issue announced in October 2020 raised $4.6 million; and
- A second private placement conducted in conjunction with an over-subscribed share purchase plan, raised a further $11.8 million.

These funds have been used to strengthen the balance sheet, repay all bank debt and invest in an ASX listed share trading portfolio and other unlisted investments. At balance date the Group held $7.4 million in cash.

Portfolio

Significant changes to the portfolio of investments improved the balance and liquidity of the portfolio, as follows:

- HGL acquired Supervised Investments Australia Limited (subsequently renamed H&G Investment Management Ltd) for $0.7 million in March 2021, providing access to an Australian Financial Services Licence (AFSL) and an investment fund with funds under management (FUM) of circa $14 million able to generate management and performance fees. The fund has performed strongly since acquisition, and HGL is optimistic that it can grow FUM through the existing and new funds, delivering future earnings;
- JSB Lighting (JSB) was sold to FOS Lighting Group (FOS) for proceeds of $600,000 in the form of 3 million pre-IPO shares in FOS. FOS subsequently listed on the ASX with HGL continuing to assist FOS with its M&A activity including Sandy Beard becoming Chair of FOS;
- An option was granted to the management of SPOS Group allowing them to acquire the business at a point prior to April 2026. HGL received a non-refundable option fee of $250,000 and will receive a further $2.1 million in distributions or sale proceeds on or before completion of the sale;
- An agreement was reached with ASX Listed Cellmid (ASX: CDY) for the sale of BLC Cosmetics for $1.0 million cash and 32,786,885 million CDY shares valued at $2.0 million, plus an earnout amount due twelve months from completion. Following completion of the sale in November 2021, HGL holds a substantial holding in CDY, and Phillip Christopher (HGL Investment Director) represents HGL on the CDY board; and
- New investments include unlisted T-Shirt Ventures ($1.0 million via unlisted equity), a fast growing technology provider focussed on the provision of plan management solutions and an online marketplace for NDIS participants, and Mint Payments ($3.0 million via convertible notes), a payment provider to the travel sector.

A pipeline of opportunities remain under active consideration.

The Mountcastle Group, HGL's largest investment, is a supplier of school and corporate wear, headwear and luggage. Mountcastle performed strongly during the year, with a full year contribution from LW Reid Pty Ltd which was acquired in December 2019, despite the impact of COVID and associated closure of schools. The board are excited about the opportunities available to Mountcastle and continues to work closely with key shareholders and company leadership to develop opportunities to further enhance the value of this investment.

Pegasus Health Group is a supplier of equipment to hospitals, aged care facilities and retail users, generating both sale and rental revenues from the product portfolio including beds, alternating pressure mattresses and home living aids. Pegasus was largely unaffected by COVID and saw an increase in earnings over the prior year. HGL is working with Pegasus to continue to build value from this investment.

	Mountcastle Group	Pegasus Group
Revenue ($ million)	49.2	11.9
EBITDA ($ million)	9.3	2.6
Ownership interest (%)	40%	70%
Carrying value ($ million)	16.7	7.4

The group has built a portfolio of ASX listed investments valued at over $4.2 million at balance date. Initial returns have been strong, with an IRR in excess of 50% since inception compared to the ASX 200 of 26%.

Operating and financial review (continued)

Outlook

The Board remains focussed on increasing value for shareholders through a combination of:

- Growth in the listed investment portfolio;
- Additional private equity and other unlisted investments;
- Progressive realisation of the existing portfolio, and redeployment of capital into new growth opportunities;
- Diversification of the investment base to other asset categories;
- Driving growth and value in those listed investments where we hold board representation, and our unlisted private equity businesses, including by assisting with their M&A activities;
- Lifting FUM within the existing fund, and the introduction of additional funds potentially seeded by existing investments;
- Continued building of the investment team; and
- Continued dividend payments based on earnings excluding unrealised revaluations.

The Company believes the strengthened financial base and a continued evaluation of investment opportunities by our management team will enable the identification and execution of suitable investment opportunities during the course of the coming year.

Risk management

The achievement of HGL's business objectives may be affected by internal and external variables potentially impacting the operational and financial performance of the business. The Group has an Enterprise Risk Management and Reporting System, which identifies strategic and operational risks and specifies mitigation actions and is reported to the board.

Key risks for the Group include:

Loss of value of investments - HGL has a diversified portfolio of investments which are exposed to a variety of external inputs. It is possible that broad macro-economic changes outside the direct control of management may lead to a significant reduction in value of the investee companies.

Loss of Key Management Personnel - HGL has a small team of key executives with responsibility for assessing and deciding the allocation of capital between investments. A loss of one or more of these key persons may have a negative impact on future investment performance.

Funding risk - HGL has identified a significant pipeline of potential investments, but has a limited capital base from which to make these investments. An inability to access future capital, whether caused by a lack of investor appetite or lack of other third party funding options (including bank financing) could result in the Group being unable to pursue valuable opportunities.

COVID-19 - HGL's investee companies are highly reliant on international products sourced from various overseas markets, to be sold principally in its key markets of Australia and New Zealand. International supply chains have and may continue to be impacted by COVID-19 related issues.

Cyber / IT risk - Our investee companies are highly reliant on information systems for their management, including for supplier and sales processes. While many of these systems are provided by reputable third parties and hosted in safe 'cloud' environments, various businesses are still reliant on legacy locally based systems that could be subject to failure or attack by various actors seeking to cause disruption. HGL's businesses may at any point be implementing upgrades to systems which may be subject to delay or cost overrun, and / or cause disruption to suppliers or customers, or may fail to achieve all their intended functionality.

Climate risk - HGL's portfolio does not contain any investments with direct risk from climate change (such as exposure to the energy sector). The Group acknowledges there are general economic risks associated with governmental responses to climate change, and will manage and respond to these risks as they develop further.

Environmental regulation

Although our operations have limited environmental impact, the consequences of business decisions on the environment are seriously considered. Although we have little exposure to environmental risks, we strive to be environmentally friendly and embrace technologies and processes that limit environmental impact.

Significant changes in the state of affairs

During the period the group adopted the "Investment Entity" basis of accounting, which changed the way in which the financial statements are prepared and interpreted. As a result of this change a direct comparison between the current and previous financial years is difficult. More information on this change can be found in note 1 to the financial statements.

During the period the Group undertook two major capital raisings to repay bank debt and provide opportunities to pursue a number of new investments. More information on these can be found in the Operating and Financial Review, and note 6 to the financial statements.

There have been no other significant changes in the state of affairs of the Group during the year other than those referred to in the Operating and Financial Review.

Events since the end of the financial year

On 16 September 2021 HGL announced it had reached agreement to sell 100% of the equity in BLC Cosmetics Pty Ltd (BLC) to ASX listed Cellmid Ltd (ASX: CDY) for consideration of $1,000,000 cash plus 32,786,885 CDY shares up front, and an additional earnout payment in twelve months from completion based on incremental earnings in FY22 above $500,000. The sale completed on 2 November 2021.

There have been no other significant events after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Likely developments and expected results of operations

Likely developments in the operations of the Group are detailed in the Operating and Financial Review and Events subsequent to balance date.

Remuneration report (audited)

The remuneration report outlines the director and executive remuneration arrangements of the Company for the 2021 financial year, in accordance with the requirements of the Corporations Act 2001 and its Regulations. It has been audited in accordance with section 300(A) of the Corporations Act 2001.

Details of Key Management Personnel

Key Management Personnel (KMP) are those individuals with authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director of the parent. The list below outlines the KMP of the Group during the financial year ended 30 September 2021. Unless otherwise indicated, the individuals were KMP for the entire financial year.

Directors

Alexander (Sandy) Beard	Non-Executive Chair (appointed 29 October 2020)
Kevin Eley	Non-Executive Director
Peter Miller	Non-Executive Director
Cheryl Hayman	Non-Executive Director
Joseph Constable	Executive Director

Executives

Iain Thompson	Chief Financial Officer & Company Secretary
Nicholas Atkinson	Investment Director (appointed 21 June 2021)
Phillip Christopher	Investment Director (appointed 17 May 2021)
Gregory Timar	Chief Executive Officer (Resigned 22 December 2020)

Remuneration report (audited) (continued)

Remuneration governance

Remuneration committee

In July 2020, the Board resolved to absorb the function of the Nomination and Remuneration Committee (the Committee) into the remit of the full Board of directors. This decision was taken in recognition that with the size of the company, and a small Board of directors, it was less effective to have this extra layer of governance for the Group. As part of this governance restructure, the board is retaining the Committee's Charter as guidance to the Board on remuneration and nomination matters. Cheryl Hayman, who had Chaired the Committee remains the designated key director in relation to remuneration related matters.

The main remuneration functions of the Board include:

(a) Executive remuneration and incentive policies;
(b) Remuneration packages for senior management, including incentive schemes;
(c) Recruitment, retention and termination policies for senior management;
(d) Remuneration framework for directors and KMP;
(e) Statutory reporting on remuneration; and
(f) Oversight of Company culture and performance accordingly.

Use of remuneration consultants

Where the Committee or the Board will benefit from external advice, it is authorised to engage directly with a remuneration consultant, who reports directly to the Committee. In selecting a suitable consultant, the Committee considers potential conflicts of interest and requires independence from the Group’s KMP and other executives as part of their terms of engagement.

Where sought, remuneration recommendations are provided to the Committee as one input into decision making only. The Committee considers any recommendations in conjunction with other factors in making its remuneration determinations.

Remuneration packages are reviewed annually with due regard to performance and other relevant factors. In order to retain and attract executives of sufficient calibre to facilitate the effective and efficient management of the Company’s operations the Committee, when necessary, seeks the advice of external advisers in connection with the structure of remuneration packages.

Executive remuneration arrangements

Remuneration Policy

The Company and its KMP are all based in Australia, with each of the current portfolio of investee companies operating predominantly in Australia and New Zealand.

Through an effective remuneration framework, the Group aims to:

(a) Provide fair and equitable rewards;
(b) Stimulate a high performance culture;
(c) Encourage the teamwork required to achieve business and financial objectives;
(d) Attract, retain and motivate high calibre employees; and
(e) Ensure that remuneration is competitive in relation to peer companies in Australia.

Principles of remuneration

The responsibilities of the Board include developing remuneration frameworks for senior management which incorporate the following considerations:

- The structure of the total remuneration package (TRP) including base salary, other benefits, short term incentive (bonus) and share-based long term incentive;
- The mechanism to be used to review and benchmark the competitiveness of the TRP;
- The Key Performance Indicators (KPIs) to be set;
- Changes in the amounts of different components of the TRP following annual performance reviews;

Remuneration report (audited) (continued)

Executive remuneration arrangements (continued)

Principles of remuneration (continued)

- Decisions on whether the Long Term Incentive Plan will be offered for any year, the structure of equity to be awarded to KMP under this plan when offered, and setting of associated performance indicators for future assessment;
- Determination of the amount of equity and the associated vesting at the end of each agreed assessment period of the Long Term Incentive Plan, based on financial performance indicators previously established; and
- The remuneration and any other benefits of the Non-Executive Directors.

The Group's executive remuneration strategy seeks to match the goals of the KMP to those of the shareholders in driving value creation. This is achieved through combining appropriate market levels of guaranteed remuneration with incentive payments. These incentive payments are only paid on attainment of previously agreed annual performance targets which are developed against the business' strategic and financial goals, unless the Board considers a discretionary bonus is appropriate.

Components of remuneration

(i) Guaranteed fixed base remuneration

Base remuneration, which is not at risk, is structured as a total employment package and includes salary, superannuation and other benefits, with the allocation between salary and other sacrificing benefits at the executive's discretion. Base remuneration is annually reviewed but not necessarily increased each year. The base remuneration is set at the appropriate level of market rate for the role and the individual and in consideration of the size of the Company.

Long term employee benefits are the amount of long service leave entitlements accrued during the year.

(ii) At risk remuneration

Specified executives are eligible for STI payments and have access to an LTI in the form of a Loan Funded Share Plan (ELFSP).

Short term incentives

Key Management Personnel have the opportunity to earn an STI based on their performance during any given year. In most instances, performance will be assessed against Key Performance Indicators set prior to the commencement of a financial year and will include factors tied to group earnings, individually driven strategic outcomes and, in some circumstances, board discretion based on specific achieved outcomes. The maximum STI opportunity for any KMP is 100% of base salary.

Long term incentives

The LTI is designed to enable a strategic focus on the longer term sustainability and growth of HGL and aligns executive incentives with shareholder objectives through the use of HGL Ltd shares via the ELFSP.

Under the ELFSP, selected KMP are issued a quantity of shares at an issue price, determined at the sole discretion of the board. Factors determining the issue price include the current market value of HGL Ltd shares and any recent or potential capital raising. The value of the shares issued under the ELFSP is offset by an unsecured, interest free loan from the Company. The loans are limited recourse, meaning that if the market value of the Shares is less than the loan value at the end of the term of the loan, the Participant will not need to repay the remaining loan balance out of their own funds. The loans are repayable in full on the earlier of 5 years from the date the loan is made, the shares being acquired by a third party under a takeover bid or similar, the Participant ceasing employment with the Group or becoming insolvent or subject to bankruptcy proceedings, or on the date the Participant and the Company otherwise agree.

Shareholders approved the issue of up to 3,000,000 shares under the ELFSP in February 2020, of which 1,575,000 were issued during FY20. A further 1,393,750 shares were issued under the ELFSP during FY21, and an additional 1,000,000 were issued to KMP under the terms of the ELFSP using the Company's placement capacity as outlined in the KMP shareholding table on p15.

Remuneration report (audited) (continued)

Executive remuneration arrangements (continued)

Components of remuneration (continued)

(ii) At risk remuneration (continued)

In addition to the ELFSP, the Company has granted performance rights to Nick Atkinson (9,000,000 rights) and Phillip Christopher (4,500,000 rights) as an additional component of their LTI. The rights granted to each KMP is split into 3 equal tranches which vest on the 3rd, 4th and 5th anniversary of the KMP's commencement date. Upon vesting, each eligible right will convert to one fully paid ordinary share. Vesting of each tranche of rights is subject to Total Shareholder Returns (TSR) on HGL Ltd shares, calculated on a compounding basis from a starting point of 20 cents per share (being the issue price of shares under the capital raising in April 2021). Vesting is calculated in line with the following table:

TSR	Vesting amount
Up to 10%	At the Board's discretion
Between 10% and 15%	Prorata between nil and 50% of Rights
15%	50% of Rights
Between 15% and 25%	Prorata between 50% and 100% of Rights
25% and above	100% of Rights

(iii) Employment contracts

Terms of employment are formalised in employment letters to each of the KMP. There are currently no fixed term contracts in place, however personnel must adhere to a minimum notice period as stipulated in their contracts of employment. The previous CEO had a twelve month notice period and the CFO and Investment Directors have a three month notice period. Aside from statutory requirements, the payment of any negotiated termination benefit is at the discretion of the Board.

Remuneration report (audited) (continued)

Executive remuneration arrangements (continued)

Components of remuneration (continued)

(iv) Executive & Board remuneration

2021	Short term benefits			Post employment benefits	Long term benefits				Percentage variable remuneration
	Salary & fees $	Short term bonus $	Non monetary benefits $	Super-annuation $	Long term incentives $	Long service leave $	Termination payments $	Total $	%
Directors									
Alexander (Sandy) Beard (1)	42,203	-	-	4,066	-	-	-	46,269	-
Kevin Eley	46,271	-	-	4,451	-	-	-	50,722	-
Peter Miller	43,836	-	-	4,219	-	-	-	48,055	-
Cheryl Hayman	43,836	-	-	4,219	-	-	-	48,055	-
Joseph Constable (6)	96,916	-	-	9,395	-	12,823	-	119,134	-
Total Directors	273,062	-	-	26,350	-	12,823	-	312,235	
Executives									
Gregory Timar (2)	77,279	-	-	16,271	25,821	(4,074)	230,000	345,297	7.5
Iain Thompson (5)	273,956	30,000	1,416	22,163	8,262	4,299	-	340,096	11.3
Nicholas Atkinson (3)	70,594	-	-	6,617	121,816	1,177	-	200,204	43.4
Phillip Christopher (4)	96,625	-	-	8,790	87,927	1,606	-	194,948	27.1
Total Executives	518,454	30,000	1,416	53,841	243,826	3,008	230,000	1,080,545	
Total KMP remuneration	791,516	30,000	1,416	80,191	243,826	15,831	230,000	1,392,780	

Remuneration report (audited) (continued)

Executive remuneration arrangements (continued)

Components of remuneration (continued)

(iv) Executive & Board remuneration (continued)

(1) Appointed 29 October 2020
(2) Resigned 22 December 2020
(3) Appointed 21 June 2021. Long term incentives includes equity based incentives granted on commencement of employment, including the fair value of performance rights ($75,699) and a nominal discount for shares subscribed for cash ($35,000) as the difference between the capital raise price agreed and the share price on the date shares were issued.
(4) Appointed 17 May 2021. Long term incentives includes equity based incentives granted on commencement of employment, including the fair value of performance rights ($41,364) and a nominal discount for shares subscribed for cash ($35,000) as the difference between the capital raise price agreed and the share price on the date shares were issued.
(5) Includes $30,000 bonus payable following completion of the FY21 audit, Iain Thompson also acts as CFO for the Mountcastle Group. Remuneration shown includes $68,750 recharged by HGL to Mountcastle for these services.
(6) Joseph Constable ceased drawing Directors fees upon the acquisition of Supervised Investments Australia Ltd, of which he was an employee. Joseph's remuneration is now entirely related to his employment relationship with the company and he has received no Director Fees since April 2021.

Remuneration report (audited) (continued)

Executive remuneration arrangements (continued)

Components of remuneration (continued)

(iv) Executive & Board remuneration (continued)

2020	Short term benefits			Post employment benefits	Long term benefits				Percentage variable remuneration
	Salary & fees $	Short term bonus $	Non monetary benefits $	Super-annuation $	Long term incentives $	Long service leave $	Termination payments $	Total $	%
Directors									
Kevin Eley	58,494	-	-	5,557	-	-	-	64,051	-
Peter Miller	49,315	-	-	4,685	-	-	-	54,000	-
Cheryl Hayman	49,315	-	-	4,685	-	-	-	54,000	-
Joseph Constable (1)	11,128	-	-	1,057	-	-	-	12,185	-
The Hon. Helen Coonan (2)	59,244	-	-	5,628	-	-	-	64,872	-
Julian Constable (2)	35,546	-	-	3,377	-	-	-	38,923	-
Total Directors	263,042	-	-	24,989	-	-	-	288,031	
Executives									
Gregory Timar (3)	214,617			17,298	33,750	4,074		269,739	12.5
Iain Thompson	256,291	30,000		21,073	6,750	4,573		318,687	9.4
Henrik Thorup (4)	259,630		3,809	22,668			296,418	582,525	-
Total executives	730,538	30,000	3,809	61,039	40,500	8,647	296,417	1,170,951	
Total KMP remuneration	993,580	30,000	3,809	86,028	40,500	8,647	296,418	1,458,982	

(1) Appointed 30 June 2020
(2) Resigned 5 June 2020
(3) Appointed 12 December 2019
(4) Resigned 19 December 2019
(5) Long term incentive represents the value ascribed to Employee Loan Funded Share Plan shares held during the financial year, and do not include any cash payments by HGL

Remuneration report (audited) (continued)

Executive remuneration arrangements (continued)

Remuneration under COVID-19

During FY20 Directors took a 20% reduction in fees in response to the uncertainty arising from COVID-19. Directors fees have remained at this reduced level throughout the entire 2021 financial year.

During FY21, companies within the HGL Group received JobKeeper payments totalling $189,000 (FY20 $873,000).

Relationship between remuneration policy and company performance

Short term incentives are largely determined with reference to net profit before tax of the Group, excluding unrealised revaluation gains. This criteria is important as it is one of the key factors used to determine dividend payments, with this profit measure approximating cash profits of the group which would be available for distribution. This measurement basis is also reflective of group performance under the Investment Entity basis of accounting adopted during the current financial year.

For the FY21 financial year, this metric includes the revaluation gain from BLC Cosmetics as the carrying value of that business at balance date reflected the contracted sale price, notwithstanding that completion occured in early FY22.

No portion of any incentive schemes are currently solely linked to the HGL share price.

There are currently no non-financial Key Performance Indicators (KPIs) which give rise to incentive payments.

With the change in basis of accounting in FY21 compared to prior years a useful comparison of historical performance is difficult using the same criteria as the prior years. Key measures for determining performance of the current year results is included in the review of operations and is not duplicated in full here.

	2017	2018	2019	2020	2021
Statutory NPAT ($000)	2,727	812	1,461	(12,699)	15,599
NPBT excluding unrealised revaluations ($000)	N/A	N/A	N/A	N/A	4,601
Share price at year end ($)	0.50	0.44	0.32	0.16	0.29
Dividends declared in relation to the year (cents)	2.75	3.0	0.75	-	1.0
Statutory Earnings per Share (cents)	4.8	1.1	1.9	(19.3)	11.6
Total Shareholder Returns	17%	(6%)	(22%)	(50%)	81%

Non-executive director remuneration arrangements

Non-executive directors are not employed under employment contracts. Non-executive directors are appointed under a letter of appointment and are subject to election and rotation requirements as set out in the ASX Listing Rules and the Company’s Constitution.

The remuneration of non-executive directors is determined by the full Board after consideration of Group performance and market rates for directors’ remuneration. Non-executive director fees are fixed each year, and are not subject to performance-based incentives.

The maximum aggregate level of fees which may be paid to non-executive directors is required to be approved by shareholders in a general meeting. This figure is currently $500,000, and was approved by shareholders at the Annual General Meeting on 5 February 2008. Total director’s remuneration including superannuation paid at the statutory prescribed rate for the year ended 30 September 2021 was $312,235 which is within the approved amount. This amount includes remuneration paid to Directors as salary plus any Directors fees.

Remuneration report (audited) (continued)

Non-executive director remuneration arrangements (continued)

Individual non-executive directors fees have not increased since October 2007, and during 2020 in response to COVID-19 fees were temporarily reduced to $48,000 per annum, with the Chair receiving $80,000 per annum. Following the appointment of Sandy Beard as Chair in October 2020, the Chair's fee was further reduced to $50,000 per annum. Fees remain at this level at the date of this report.

Key management personnel shareholdings

The key management personnel and their relevant interest in the fully paid ordinary shares of the Company as at year end are as follows:

30 September 2021	Opening Balance	Purchases	Incentive Scheme	Disposals	Closing balance	Indirect interest
Executive directors						
Alexander (Sandy) Beard	-	19,265,724	-	-	19,265,724	9,875,000
Peter Miller	20,327,551	5,456,889	-	-	25,784,440	25,549,971
Kevin Eley	2,016,944	954,236	-	-	2,971,180	2,971,180
Cheryl Hayman	140,000	301,000	-	-	441,000	441,000
Joseph Constable	44,455	229,902	-	-	274,357	-
Senior Executives						
Iain Thompson	295,293	328,199	65,625	-	689,117	353,122
Nicholas Atkinson	-	1,000,000	1,000,000	-	4,194,070	3,194,070
Phillip Christopher	-	1,000,000	1,000,000	-	2,000,000	-
Gregory Timar	1,312,500	-	328,125	-	-	-

The key management personnel and their relevant interest in the option shares of the Company as at year end are as follows:

30 September 2021	Opening Balance	Options issued	Options exercised	Closing balance	Indirect interest
Executive directors					
Alexander (Sandy) Beard	-	6,000,000	-	6,000,000	6,000,000
Senior Executives					
Nicholas Atkinson	-	500,000	-	500,000	500,000

End of Audited Remuneration Report

Indemnification and insurance of directors and officers

The Company's Rules provide for an indemnity of directors, executive officers and secretaries where liability is incurred in connection with the performance of their duties in those roles other than as a result of their negligence, default, breach of duty or breach of trust in relation to the Company. The Rules further provide for an indemnity in respect of legal costs incurred by those persons in defending proceedings in which judgement is given in their favour, they are acquitted or the Court grants them relief.

During the year, the Company purchased Directors' and Officers' Liability Insurance to provide cover in the event a claim is made against the directors and officers in office during the financial year and at the date of this report, as far as is allowable by the Corporations Act 2001. The policy also covers the Company for reimbursement of directors' and officers' expenses associated with such claims if the defence to the claim is successful. The total amount of insurance premium paid and the nature of the liability are not disclosed due to a confidentiality clause within the agreement. As at the date of this report, no amounts have been claimed or paid in respect of this indemnity and insurance, other than the premium referred to above.

Auditors

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, UHY Haines Norton, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify UHY Haines Norton during or since the financial year.

Auditor independence and non-audit services

The directors have received a declaration signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001, a copy of which can be found on page 18.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

There have been no amounts charged by UHY Haines Norton for the provision of non-audit services during the year. Subsequent to balance date UHY Haines Norton commenced work on general taxation services.

Options

As part of the acquisition of Pegasus Healthcare on 1 April 2018, a Put and Call option was granted to the minority shareholder. The Put option gives the right to the minority shareholder to require HGL to acquire, and the Call option gives HGL the right to acquire, the remaining 30% interest in the Pegasus Healthcare group. The exercise price is a multiple of 4.0 times (Put) or 4.3 times (Call) the average annual EBITDA of the preceding 24 month period to exercise. The option does not give rights to the minority shareholder to participate in any share issue or interest in any other group entity. All options remained outstanding at the date of this report.

In November 2020, HGL agreed to grant a Call option over the remaining 50% of the equity in Baker & McAuliffe Holdings Pty Ltd not sold to FOS Group as part of the sale of JSB Lighting. This option was exercised in February 2021.

On 15 April 2021, HGL signed an agreement granting the management of SPOS Group an option to purchase SPOS from HGL. The payment of an option fee of $250,000 granted management an option to acquire the business at any time in the next 5 years for $2.09 million, less the amount of distributions made by SPOS to HGL. In addition, the shareholder loan balances owed to HGL remains payable. The value of SPOS in note 3 of the financial statements as at 30 September 2021 reflects the value of the purchase price.

At the AGM Shareholders approved the issuance of 8,000,000 options to various parties who had participated in the Private Placement announced on 21 October 2020. Each option grants the holder the right to subscribe for 1 fully paid ordinary share in exchange for 15.0 cents cash, at any point prior to 24 February 2024. The options hold no voting or dividend rights. At balance date, none of the options had been exercised.

Meetings of directors

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Directors' meetings
Number of meetings held:	18
Number of meetings attended:	
Alexander (Sandy) Beard (1)	14
Peter Miller	18
Kevin Eley	18
Cheryl Hayman	18
Joseph Constable	17

(1) Sandy Beard attended each meeting held during the year subsequent to his appointment as a Director

Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. The Company is an entity to which the class order applies.

Proceedings on behalf of the company

There were no proceedings brought by or on behalf of the Company at any time during or since the end of the financial year.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

Alexander (Sandy) Beard
Director

24 November 2021

UHY Haines Norton
Chartered Accountants

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

To the Directors of HGL Limited

As lead auditor for the audit of the financial report of HGL Limited for the year ended 30 September 2021, I declare that to the best of my knowledge and belief, there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

UHY Haines Norton

Mark Nicholaeff

Partner

Sydney

Dated: 24 November 2021

UHY Haines Norton

Chartered Accountants

Consolidated statement of profit or loss
for the year ended 30 September

	Notes	2021 $'000	2020 $'000
Fair value gains on financial assets at fair value through profit or loss		**14,261**	1,233
Other income	10	**3,949**	1,170
Sale of goods		**-**	31,893
Rental income		**-**	6,202
Cost of sales		**-**	(18,014)
Distribution costs		**-**	(3,553)
Sales, marketing and advertising expenses		**-**	(7,680)
Occupancy expenses		**(193)**	(628)
Impairment of goodwill		**-**	(11,039)
Administration and other expenses		**(2,492)**	(8,605)
Depreciation and amortisation		**(230)**	(2,808)
Finance costs	10	**(61)**	(492)
Share of profit from associates	28	**-**	2,303
Operating profit/(loss)		**15,235**	(10,018)
Profit/(loss) before income tax		**15,235**	(10,018)
Income tax benefit /(expense)	11	**364**	(2,681)
Profit/(loss) for the period after income tax		**15,599**	(12,699)
Profit is attributable to:			
Owners of HGL Limited		**15,599**	(13,011)
Non-controlling interests		**-**	312
		15,599	(12,699)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**11.6**	(19.3)
Diluted earnings per share	5	**11.1**	(19.3)
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**11.6**	(19.3)
Diluted earnings per share	5	**11.1**	(19.3)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of other comprehensive income
for the year ended 30 September

	Notes	**2021 $'000**	2020 $'000
Profit /(loss) for the period		**15,599**	(12,699)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**-**	13
Other comprehensive income for the period, net of tax		**-**	13
Total comprehensive income for the period		**15,599**	(12,686)
Total comprehensive income for the period is attributable to:			
Owners of HGL Limited		**15,599**	(12,998)
Non-controlling interests		**-**	312
		15,599	(12,686)
Total comprehensive income for the period attributable to owners of HGL Limited arises from:			
Continuing operations		**15,599**	(12,998)

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

Balance sheet as at 30 September

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	9	**7,367**	3,858
Trade and other receivables	12	**425**	4,965
Related party receivables	12	**902**	-
Inventories	26	**-**	4,613
Prepayments		**145**	348
Financial assets at fair value through profit and loss	3(a)	**8,379**	-
Current tax receivables		**-**	471
Financial assets at amortised cost	3(b)	**202**	-
Total current assets		**17,420**	14,255
Investments accounted for using the equity method	28	**-**	8,159
Property, plant and equipment	13	**81**	4,537
Right-of-use assets	17(a)	**396**	4,377
Intangible assets	14	**712**	3,669
Other financial assets	3(c)	**3,581**	916
Financial assets at fair value through profit or loss	3(a)	**26,932**	11
Deferred tax assets	11	**234**	-
Total non-current assets		**31,936**	21,669
Total assets		**49,356**	35,924
Current liabilities			
Trade and other payables	15	**391**	7,822
Borrowings	3(e)	**-**	2,335
Lease liabilities	17(c)	**245**	1,298
Provisions	16	**127**	1,366
Other financial liabilities	3(d)	**204**	2,314
Current tax liabilities		**-**	224
Total current liabilities		**967**	15,359
Non-current liabilities			
Lease liabilities	17(c)	**281**	3,387
Provisions	16	**42**	312
Other financial liabilities	3(d)	**-**	229
Deferred tax liabilities	11	**285**	129
Total non-current liabilities		**608**	4,057
Total liabilities		**1,575**	19,416
Net assets		**47,782**	16,508
Equity			
Share capital	6	**58,274**	42,477
Reserves	18	**17,508**	(1,135)
Accumulated losses		**(24,651)**	(23,369)
Other components of equity		**(3,349)**	(3,349)
Non-controlling interests	27	**-**	1,884
Total equity		**47,782**	16,508

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
for the year ended 30 September

	Notes				Attributable to owners of HGL Limited							
		Issued capital $'000	Profit reserve $'000	Option reserve $'000	Foreign currency reserve $'000	Employee share scheme reserve $'000	Other reserves $'000	Accum. losses $'000	Other components of equity $'000	Attributable to owners of HGL Ltd $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 30 September 2020		42,477	-	-	(159)	41	(1,017)	(23,369)	(3,349)	14,624	1,884	16,508
Profit for the period		-	-	-	-	-	-	15,599	-	15,599	-	15,599
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**15,599**	**-**	**15,599**	**-**	**15,599**
Transactions with owners in their capacity as owners:												
Issue of share capital		17,546	-	-	-	-	-	-	-	17,546	-	17,546
Costs associated with issues of shares		(1,749)	-	1,296	-	-	-	-	-	(1,749)	-	(1,749)
Share based payments in respect of issue of shares		-	-	-	-	307	-	-	-	307	-	307
		15,797	-	1,296	-	307	-	-	-	16,105	-	16,105
Transfer to retained earnings		-	15,599	-	-	-	1,282	(16,881)	-	-	-	-
Deconsolidation adjustments on change of accounting basis		-	-	-	159	-	-	-	-	159	(1,884)	(1,725)
Balance at 30 September 2021		**58,274**	**15,599**	**1,296**	**-**	**348**	**265**	**(24,651)**	**(3,349)**	**46,486**	**-**	**46,486**

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

	Notes	Issued capital $'000	Foreign currency reserve $'000	Employee share scheme reserve $'000	Other reserves $'000	Accumu. losses $'000	Other components of equity $'000	Attributable to owners of HGL Ltd $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of HGL Limited								
Balance as at 1 October 2019		40,064	(172)	-	(901)	(10,358)	(3,349)	25,284	1,572	26,856
(Loss) for the period		-	-	-	-	(13,011)	-	(13,011)	312	(12,699)
Translation of overseas controlled entities		-	13	-	-	-	-	13	-	13
Share of associates movement in reserves		-	-	-	(116)	-	-	(116)	-	(116)
Total comprehensive income for the period		**-**	**13**	**-**	**(116)**	**(13,011)**	**-**	**(13,114)**	**312**	**(12,802)**
Transactions with owners in their capacity as owners:										
Issue of share capital		2,620	-	-	-	-	-	2,620	-	2,620
Costs associated with issues of shares		(207)	-	-	-	-	-	(207)	-	(207)
Share based payments		-	-	41	-	-	-	41	-	41
		2,413	-	41	-	-	-	2,454	-	2,454
Balance as at 30 September 2020		**42,477**	**(159)**	**41**	**(1,017)**	**(23,369)**	**(3,349)**	**14,624**	**1,884**	**16,508**

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

Consolidated statement of cash flows

For the year ended 30 September

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash receipts in course of operations		**-**	41,842
Cash payments in course of operations		**(3,338)**	(39,949)
Other income		**909**	-
Government assistance		**-**	1,010
Interest received		**-**	5
Interest paid		**(35)**	(154)
Income taxes paid		**-**	(6)
Dividends received		**1,522**	448
Net cash (outflow)/ inflow from operating activities	9	**(942)**	3,196
Cash flows from investing activities			
Proceeds from sale of investments		**10,867**	-
Purchase of investments		**(17,544)**	-
Proceeds from sale of property, plant and equipment		**-**	7
Payments for property, plant and equipment		**(14)**	(2,368)
Investment in associate		**-**	(500)
Payment for acquisition of subsidiary, net of cash acquired		**-**	(200)
Net cash (outflow) from investing activities		**(6,691)**	(3,061)
Cash flows from financing activities			
Proceeds from issues of shares		**16,826**	2,620
Share issue cost		**(453)**	-
Proceeds from borrowings		**-**	1,750
Repayment of lease liabilities		**-**	(1,325)
Repayment of borrowings		**(1,553)**	(2,273)
Loans with related parties		**338**	(200)
Net cash inflow from financing activities		**15,158**	572
Net increase in cash and cash equivalents		**7,525**	707
Cash and cash equivalents at the beginning of the financial year		**3,858**	3,097
Effects of exchange rate changes on cash and cash equivalents		**-**	54
Cash derecognised on deconsolidation of subsidiaries		**(3,814)**	-
Cash and cash equivalents at end of year	9	**7,569**	3,858

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

1 Significant changes in the current reporting period

a Classification as an Investment Entity

During the full year ended 30 September 2021, the Company adopted the "Investment Entity" basis of accounting as outlined in paragraph 27 of AASB10: Consolidated Financial Statements.

This position is more closely aligned with the Group's strategy reflecting an investment oriented approach, with performance of the Group being assessed based on a combination of earnings from share trading, distributions from and realisation of private equity investments, and increases in the underlying value of those investments.

Previously, the Company measured performance of the Group on the basis of the combined operational results of each controlled business unit, plus the equity accounted contribution from entities over which it has significant influence.

The Board consider the investment entity basis of accounting creates more reliable and useful information for investors as it provides a better reflection of the underlying value of the Company, and recognises that future distributions will be derived from surplus cash generated from the income from and sale of the underlying portfolio of investments.

As a result of this change, a net revaluation gain of $13.2 million has been recognised in relation to BLC Cosmetics, SPOS Group, Pegasus Health Group, Mountcastle Group, and JSB Lighting during the period (refer note 3.

• **Impact on consolidated (controlled) entities**

The impact of the change to investment entity status is that the individual assets and liabilities of each operating business have been 'derecognised' as if the business had been disposed of, and the fair value of the business unit is recognised as a single investment value in the balance sheet. Subsequent movements in the assessed fair value of the businesses are recognised as 'Net realised and unrealised gains on investments' in profit and loss. Group revenue arising from these businesses now reflects distributions made to the head entity in its capacity as a shareholder of that business, rather than the underlying trading income and profits previously shown.

Revaluation gains during the year reflects the difference between the carrying value of the consolidated net assets and liabilities reflected in the audited financial statements as at 30 September 2020, and the assessed fair value of the businesses as at 30 September 2021, as outlined in Note 3.

• **Impact on equity accounted investments**

The change to the investment entity basis of accounting has also been reflected in the accounting for the investment in Mountcastle Pty Ltd, which has historically been accounted for as an Equity Accounted Associate under AASB128: Investments in Associates and Joint Ventures. At the date of adoption of the Investment Entity status, the carrying value of the investment has been de-recognised as an "Investment in Associate", and restated as being a Financial Asset at Fair Value Through Profit or Loss (FVTPL). The difference between the carrying value of Mountcastle as reflected in the audited financial statements as at 30 September 2020, and the assessed fair value of the business as at 30 September 2021 and outlined in Note 3, has been reflected as a component of the revaluation gain on the face of the Profit and Loss statement.

The directors determined it was impracticable to retrospectively apply the fair value approach to the Mountcastle group for the comparative accounting period, as the valuations use a number of significant unobservable inputs and are classified as 'Level 3' under AASB13: Fair Value Measurement. Fair value has therefore been assessed as at the end of the reporting period. The Directors consider this treatment is appropriate, particularly given the impact on the clarity of the financial statements if reported earnings reflected multiple accounting treatments within the one reporting period.

b Accounting Policy - Financial instruments at fair value through profit or loss

- **Initial recognition and measurement**

  Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of 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 are expensed to the Statement of Profit or Loss.

  Financial instruments are subsequently measured at fair value. Where available, fair value is based on current market prices for all quoted investments. For all listed or unlisted investments which are not traded in an active market, valuation techniques are applied to determine fair value, including capitalisation of future maintainable earnings, recent arm's length transactions and reference to similar instruments.

- **Classification and subsequent measurement**

  The Company classifies its financial instruments into the following categories:

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

  Financial assets are classified 'at Fair Value Through Profit or Loss' when their performance is evaluated on a fair value basis in accordance with the Company’s strategy. Realised and unrealised gains and losses arising from changes in fair value from the date of initial recognition are included in the Statement of Profit or Loss in the period in which they arise, within “Fair value gains / (losses) on financial assets at fair value through profit or loss”

  (ii) Financial assets and liabilities at amortised cost

  Financial assets and liabilities are classified as being held at amortised cost if the asset or liability has contractual cash inflows or outflows, and the terms of the asset or liability gives rise to cash flows on specific dates that are solely payments or receipts of principal and interest on the outstanding balance.

  (iii) Financial liabilities at fair value through profit or loss

  Financial liabilities are classified 'at Fair Value Through Profit or Loss'. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

- **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. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss.

2 Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	2021 **$'000**
Net profit before tax	**15,235**
less Net unrealised gains on unlisted investments	**(10,634)**
Net Profit before tax and unrealised revaluation gains	**4,601**

Unrealised gains includes valuation adjustments for Mountcastle Group, Pegasus Group, SPOS Group and JSB Lighting.

3 Financial assets and financial liabilities

a Financial assets at fair value through profit and loss

(i) Classification of financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss (FVTPL) include the following:

	2021 $'000	2020 $'000
Current assets		
Australian listed equity securities	**4,225**	-
Other listed equity securities	**31**	-
Unlisted shares	**4,123**	-
	8,379	-
Non-current assets		
Other listed equity securities	**-**	11
Unlisted shares	**26,932**	-
	26,932	11

(ii) Amounts recognised in profit or loss

Changes in fair value of financial assets at fair value through through profit or loss are recorded in the Income Statement in their own category.

(iii) Risk exposure and fair value measurements

Information about the Group's exposure to risk is provided in note 3(i). For information about the methods and assumptions used in determining fair value refer to note 3(g) below.

(iv) Fair value

Unlisted securities are not traded in inactive markets. Directors use a variety of methods to determine fair value based on the circumstances surrounding the investment. This may include: observable transaction valuations where equity in the investee has recently traded or an agreement has been reached by third parties to trade an equity stake; agreed transaction values where the Company has agreed a sale value under a contract of sale of the equity of the investee entity; or Capitalisation of Future Maintainable Earnings (CFME) where there are no external observable indicators of value for the investee, and the Company considers that the investee is generating a sustainable level of earnings from ongoing operations.

The fair value of the listed securities is based on their current bid prices in an active market.

Convertible securities are valued at their cost price based on transaction just prior to year end.

b Financial assets at amortised cost

	2021 $'000	2020 $'000
Current		
Term deposit	202	-
	202	-

c Other financial assets at fair value

	2021 $'000	2020 $'000
Non-current		
Call option assets	**581**	916
Convertible note securities	**3,000**	-
	3,581	916

As part of the acquisition of Pegasus Healthcare, a Call option was granted over the remaining interest not held by the Parent entity. Under the terms of the agreement, HGL has a right to acquire the remaining 30% interest in the Pegasus Healthcare group from the minority shareholder, with an exercise price based on a multiple of 4.3 times the average annual EBITDA of the preceding 24 month period to exercise date.

The Call option can be exercised from 1 April 2021, and the fair value of the asset represents the difference between the estimated purchase price of the NCI on the earliest date the option can be exercised and the fair value of that interest. The underlying value represents the potential value to a third party purchaser and does not assume an uplift in value of the Pegasus Health group for the Company by moving from majority ownership to a 100% ownership position in this group.

d Other financial liabilities at fair value

	2021 $'000	2020 $'000
Current		
Deferred consideration	**-**	250
Contingent consideration	**-**	31
Put option liability	**204**	2,033
	204	2,314
Non-current		
Contingent consideration	**-**	229
	-	229

Deferred consideration

As part of the purchase agreement with the previous owners of Pegasus Healthcare, a portion of the consideration was deferred over a 3 year period, ending on 4 April 2021. The payments were subject to any warranty claims arising under the purchase agreement. At balance date, all deferred consideration had been paid to the vendors.

Contingent consideration

As part of the purchase agreement with the previous owner of Intralux Australia, an amount of contingent consideration has been agreed. The consideration is dependant on the sales of Intralux during a 7 year period following acquisition.

The obligation on the Group to pay any contingent consideration was extinguished with the sale of the JSB Lighting business during the reporting period.

d Other financial liabilities at fair value (continued)

Put option liability

As part of the acquisition of Pegasus Healthcare, a Put option was granted over the remaining interest not held by the Parent entity. Under the terms of the agreement, the minority shareholder has a right to require HGL to acquire the remaining 30% interest in the Pegasus Healthcare group, with an exercise price based on a multiple of 4.0 times the average annual EBITDA of the preceding 24 month period to exercise date.

The Put option could not be exercised prior to 1 April 2021, and the carrying value of the liability represents the value of the liability calculated using a Binomial option pricing model.

The underlying value does not assume an uplift in value of the Pegasus Health group for the Company by moving from majority ownership to a 100% ownership position in this group.

e Interest-bearing loans and borrowings

	2021 Current $'000	2020 Current $'000
Secured bank loan		
Bank loans	-	2,335
Total secured borrowings	-	2,335

Details of credit facilities available to the Group, and the amounts utilised under those facilities, are as follows:

	2021 Current $'000	2020 Current $'000
Secured bank loan		
Credit facilities	-	3,873
Amount utilised	-	(2,335)
Total amount unused	-	1,538

The facilities were secured under a fixed and floating charge over all present and future assets, undertakings and unpaid or uncalled capital of the wholly owned Group. The values of assets pledged as security are as presented on the balance sheet.

Interest was payable based on floating rates determined with reference to the Bank Bill Rate at each drawdown.

The carrying amounts of borrowings reasonably approximate fair value.

f Categories of financial instruments

Details of consolidated financial assets and liabilities contained in the financial statements are as follows:

	Notes	**2021 $'000**	2020 $'000
Financial assets			
Cash and cash equivalents	9	**7,367**	3,858
Trade and other receivables	12	**425**	4,934
Related party receivables	12	**902**	-
Other financial assets at fair value		**3,481**	916
Financial assets at fair value through profit or loss (FVPL)	3(a)	**35,311**	11
Financial assets at amortised cost	3(b)	**202**	-
Other financial assets at fair value	3(c)	**3,481**	916
		51,169	10,635
Financial liabilities			
Trade and other payables	15	**391**	7,822
Borrowings	3(e)	**-**	2,335
Lease liabilities	17(c)	**526**	4,685
Other financial liabilities	3(d)	**204**	2,543
		1,121	17,385

Fair values of financial assets and liabilities are disclosed in the notes to the accounts where those items are listed.

g Recognised fair value measurements

(i) Fair value hierarchy

The Group classifies its financial instruments according to the following 3 level fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.There were no transfers between the levels of the fair value hierarchy during the financial year.

g Recognised fair value measurements (continued)

(ii) Assets and liabilities at fair value

Assets and liabilities at fair value were categorised by the following fair value measurement hierarchy levels:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Australian listed equity securities	**4,225**	**-**	**-**	**4,225**
Other listed entities	**31**	**-**	**-**	**31**
Unlisted Shares	**-**	**1,000**	**30,055**	**31,055**
Call option asset	**-**	**-**	**581**	**581**
Convertible note	**-**	**3,000**	**-**	**3,000**
Total financial assets at fair value	**4,256**	**4,000**	**30,636**	**38,892**
Financial Liabilities				
Put option liability	**-**	**-**	**(204)**	**(204)**
Total financial liabilities at fair value	**-**	**-**	**(204)**	**(204)**

(iii) Fair value measurements using significant unobservable inputs (level 3)

A) Valuation techniques used to determine fair values of Level 3 assets

Specific valuation techniques used to value unlisted assets include:

- Shares in unlisted entities with a history of generating profits have been valued based on a capitalisation of future maintainable earnings methodology, having regard to observable comparable transactions or quoted prices for similar enterprises;
- Shares in unlisted entities for which a sale transaction has been agreed at balance date, or an agreement is considered imminent at that date, are valued at the recoverable value of that business under the agreed terms of the sale; and
- minority interests in unlisted assets have been valued at cost where those investments have been made in close proximity to balance date, and the investment opportunity is determined to have been at arms length as part of a broader capital raising approach by the investee.

B) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

g Recognised fair value measurements (continued)

Investment	30 September 2021 $000	Basis of valuation	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Mountcastle (40% interest)	$16,694	Capitalisation of future maintainable earnings	Maintainable earnings	$9.5m - $10.5m	5% increase / (decrease) in forecast underlying earnings would result in an increase / (decrease) in fair value by $0.8 million
			Capitalisation multiple	4.0x - 4.3x	0.25x increase / (decrease) in capitalisation multiple would result in an increase / (decrease) in fair value by $0.5 million
Pegasus (70% interest)	$7,398	Capitalisation of future maintainable earnings	Maintainable earnings	$2.3m - $2.7m	10% increase / (decrease) in forecast underlying earnings would result in an increase / (decrease) in fair value by $0.7 million
			Capitalisation multiple	4.5 – 5.0x	0.5x increase / (decrease) in capitalisation multiple would result in an increase / (decrease) in fair value by $0.7 million
SPOS Group	$1,840	Sale Value	Future distributions	N/A	Sale price on exercise of option reduces by the value of any cash distribution paid by SPOS Group prior to exercise.
BLC Cosmetics	$4,123	Sale Value	FY22 earnings	$0.5m - $1.5m	Contingent consideration is determined as 3 times incremental earnings above $0.5 million for the FY22 year. Contingent consideration at 30/9/21 assessed as $0.907m on a probability weighted assessment.
Total	$30,055				

g Recognised fair value measurements (continued)

C) Valuation processes

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Future maintainable earnings: these are assessed based on historical earnings performance and board approved budgets and forecasts, after adjusting for non-recurring or significant one off items, with shorter term forecasts given greater weighting in the consideration of earnings

- Capitalisation rates: these are determined using a comparator group of publicly available transactions, adjusted for relevant factors such as control premiums or minority discounts, liquidity discounts and market size

h Maturities of Financial liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, and includes both principal and interest cash flows.

	Creditors and accruals $'000	Finance lease liabilities $'000	Put option liability $'000	Total $'000
2021				
Financial Maturity table				
Less than 1 year	391	245	204	840
1 - 2 year	-	259	-	259
2 - 3 years	-	22	-	22
3 - 4 years	-	-	-	-
4 - 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
Total	391	526	204	1,121

	Creditors and accruals $'000	Bank borrowings $'000	Contingent consideration $'000	Finance lease liabilities $'000	Put option liability $'000	Total $'000
2020						
Financial Maturity table						
Less than 1 year	7,822	2,023	281	1,298	2,157	13,581
1 - 2 year	-	162	27	992	-	1,181
2 - 3 years	-	120	30	690	-	840
3 - 4 years	-	30	34	529	-	593
4 - 5 years	-	-	138	266	-	404
Longer than 5 years	-	-	-	910	-	910
Total	7,822	2,335	510	4,685	2,157	17,509

	Consolidated entity 2021 %	Consolidated entity 2020 %
Weighted average interest rate		
Trade payables and accruals	-	-
Borrowings - Variable rate loans	-	3.28
Finance lease	4.00	4.04

i Capital management

HGL manages its capital to ensure that it has sufficient funding to pursue its preferred investment opportunities aimed at delivering increased value to shareholders. The capital structure is reviewed regularly and is balanced through the payment of dividends and on-market share buy backs as well as the level of debt.

The capital structure consists of net debt, which includes any borrowings less cash and cash equivalents, and total equity, which includes issued capital (Note 6), reserves (Note 18) and accumulated losses/retained earnings.

i) Financial risk management

The activities of the Group expose it to a variety of financial risks, primarily to liquidity risk, market risk and credit risk. HGL's risk management program works to minimise material potential negative impacts on the financial performance of the Group.

ii) Liquidity risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's major cash payments are the purchase of investments and operating expenses (which are managed by KMP) and dividends paid to shareholders (which are determined by the Board).

Major cash receipts are dependent upon the level of sales of securities and any dividends and interest receivable, or other capital management initiatives that may be implemented by the Board from time to time such as capital raisings.

Senior management monitors the Company's cash flow requirements by reference to known sales and purchases of securities, dividends and interest to be paid or received. The Company also holds cash sufficient to ensure that it is able to meet all payments. Furthermore, the portfolio of ASX listed equities includes liquid stocks which can generally be sold on market when and if required.

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other price risks will affect the fair value or future cash flows of the Company's financial instruments.

By its nature, as a company that invests in tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free, as the market price of these securities can fluctuate.

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Company's investments are carried at fair value with fair value changes recognised in profit or loss, all changes in market conditions will directly affect net investment income. The Group seeks to manage and reduce the other price risk by diversification of the investment portfolio across numerous stocks and multiple industry sectors. There are no formalised parameters which specify a maximum amount of the portfolio that can be invested in a single company or sector.

The Group has minimal exposure to direct movements in interest rates

iv) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contracted obligation.

The maximum exposure to credit risk on financial assets, excluding investments of the Company which have been recognised on the Balance Sheet, is the carrying amount net of any expected credit losses.

Credit risk is not considered to be a major risk to the Company as the cash held by the Company are invested with major Australian banks. In addition, credit risk on trading in listed securities is minimised due to these trades primarily occurring 'on market' on the Australian Securities Exchange.

j Accounting policies

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through Other Comprehensive Income (FVTOCI), as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income within the profit and loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Derivative assets and liabilities

Where the acquisition of a non-wholly owned subsidiary includes a put or call option for the Group to acquire the shares of the minority shareholder, an asset or liability is recognised equal to the fair value of the option calculated under the Binomial method. Movements in the value of the option are taken directly to profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

j Accounting policies (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

•In the principal market for the asset or liability; or
•In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

•Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
•Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
•Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4 Dividends

a Dividends paid and proposed

There were no dividends paid or declared during the year.

	2021 $'000	2020 $'000
Proposed dividends on ordinary shares:		
Proposed final dividend of 1.0 cents per share fully franked not recognised as a liability as at 30 September	**1,789**	-

b Franking account

	Consolidated entity	
Franking credit balance	**2021 $'000**	2020 $'000
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 26% (2020 - 27.5%)	**9,234**	8,919
Franking debits that will arise from the payment of dividends subsequent to the end of financial year	**(596)**	-
	8,638	8,919

c Dividend reinvestment plan

Brief details of the Plan are:
- shareholders with a minimum holding requirement of 1,000 ordinary shares and a registered address in Australia or New Zealand are eligible to participate;
- the DRP will apply to dividends at the discretion of the board;
- participation is optional;
- full or partial participation is available;
- payment is made through the allotment of shares, rather than cash, at a discount determined by the Directors at the date of declaration of up to 7.5% on the average market price of the Company's ordinary shares;
- no brokerage, commission, stamp duty, or administration costs are payable by shareholders; and
- participants may withdraw from the plan at any time by notice in writing to the Registry.

d Accounting policies

The Company recognises a liability to pay cash or make non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

5 Earnings per share

Reconciliations of earnings used in calculating earnings per share

	2021 $'000	2020 $'000
Earnings used in calculating Basic earnings per share		
Net Profit / (Loss) after tax	**15,599**	(12,699)
Deduct profit attributable to Non-Controlling Interests	**-**	(312)
Profit / (Loss) attributable to equity holders of the parent	**15,599**	(13,011)
Earnings used in calculating Diluted earnings per share		
Used in calculating basic earnings per share	**15,599**	(13,011)
Less: costs not incurred on conversion of Performance rights	**117**	-
Earnings used in calculating diluted earnings per share	**15,716**	(13,011)

Weighted average number of shares used as the denominator

	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**134,600,230**	67,312,393
Adjustments for calculation of diluted earnings per share:		
Options issued not exercised	**2,979,889**	-
Performance rights	**4,167,123**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**141,747,242**	67,312,393

Further information on the potentially dilutive equity instruments can be found in note 6 .

Basic earnings per share

	2021 Cents	2020 Cents
From continuing operations attributable to the ordinary equity holders of the company	**11.6**	(19.3)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**11.6**	(19.3)

Diluted earnings per share

	2021 Cents	2020 Cents
From continuing operations attributable to the ordinary equity holders of the company	**11.1**	(19.3)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**11.1**	(19.3)

6 Issued capital

a Movements in ordinary shares:

Details	Number of shares	Total $'000
Balance as at 1 October 2019	60,949,585	40,064
Issued under ANREO announced 17 April 2020	13,472,996	2,620
Costs associated with shares issued and share buyback	-	(207)
Employee Loan Funded Share Plan	1,200,000	-
Balance as at 30 September 2020	75,622,581	42,477
Issued under Capital raising announced 21 Oct 2020	37,085,208	4,586
Consideration for acquisition of subsidiary	3,000,000	720
Issued under Capital raising announced 22 March 2021	59,200,000	11,840
Shares issued to employees	4,000,000	400
Costs associated with shares issued and share buyback	-	(453)
Options issued as fund raising expenses	-	(1,296)
Balance as at 30 September 2021	178,907,789	58,274

b Shares issued during the year

On 21 October 2020 the Company announced a Private Placement and 1 for 4 Entitlement Offer at 12.5c per share. The Company issued 37,085,208 shares raising a total of $4.586 million before costs, with 393,750 shares issued through the Employee Loan Funded Share plan as part of the 1 for 4 Entitlement Offer. The shares were listed during October and November 2020, with a final placement amount issued in March 2021 following shareholder approval.

On 26 March 2021 the Company issued 3,000,000 shares at a nominal value of 24c per share as consideration for the purchase of Supervised Investments Australia Ltd (now called H&G Investment Management Ltd).

On 22 March 2021 the Company announced a Private Placement and Share Purchase Plan (SPP) at 20c per share, targeting the raising of $11.6 million. The Company issued 53,000,000 shares under the Private Placement, and a further 6,200,000 shares under the SPP following an overapplication and subsequent scale back. The placement shares were listed during March 2021 and following shareholder approval in May 2021, and the SPP shares were also listed in May 2021, with the total capital raised before costs being $11.840 million.

On 29 June 2021 the company issued 4,000,000 shares to employees as part of a negotiated remuneration package associated with their hiring. Of these shares, 2,000,000 were issued for cash at 20c per share raising $0.400 million, with the balance of 2,000,000 shares being issued at 20c per share under the terms of the HGL Ltd Employee Loan Funded Share Plan (ELFSP), whereby a loan is provided to the employee to acquire the shares.

A share discount expense of $70,000 has been recognised for the shares issued for cash, representing the difference between the negotiated nominal value of the shares and the share price on the date the shares were issued subsequent to commencement of employment. The nominal value of the shares was the same as the capital raising price undertaken in March and May 2021 (ie 20c per share).

c Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

d Employee share scheme

HGL has established an Employee Loan Funded Share Plan (ELFSP). Under the plan, selected executives are invited to join the ELFSP whereby they are issued with ordinary shares in the Company, offset by an unsecured, interest free loan from the Company. The loans are limited recourse, meaning that if the market value of the Shares is less than the loan value at the end of the term of the loan, the Participant will not need to repay the remaining loan balance out of their own funds. The loans are repayable in full on the earlier of 5 years from the date the loan is made; the shares being acquired by a third party under a takeover bid or similar; the Participant ceasing employment with the Group or becoming insolvent or subject to bankruptcy proceedings; or on the date the Participant and the Company otherwise agree.

A summary of the movement in the number of shares held and the value of loans outstanding under the ELFSP during the year ended 30 September 2021 is as follows:

	Number of shares (thousands)	Total $'000
Opening balance	1,575,000	399
Issued under Entitlement Offer	393,750	49
New shares issued	2,000,000	400
Loan repayments	-	-
Removed from plan on termination of employee	(1,640,625)	(374)
Closing balance	2,328,125	474

e Options

On 21 October 2020 the Company announced its intention to issue 8,000,000 options to Sandy Beard and other strategic investors in conjunction with the Private Placement announced on the same date. The issuance of these options was approved by Shareholders at the AGM held on 24 February 2021.

The options may be exercised at any time before 24 February 2024 at an exercise price of 15c per share. Each option will convert to one fully paid ordinary share on exercise. The options are unlisted.

No options were exercised or lapsed during the year ended 30 September 2021.

f Performance rights

During the year the Company granted 13,500,000 performance rights to two new employees as an additional component of their Long Term Incentive program. The rights granted to each KMP is split into 3 equal tranches which vest on the 3rd, 4th and 5th anniversary of the KMP's commencement date (being May/June of each of 2024, 2025 and 2026 respectively). Upon vesting, each eligible right will convert to one fully paid ordinary share. Vesting of each tranche of rights is subject to Total Shareholder Returns (TSR) on HGL Ltd shares, calculated on a compounding basis from a starting point of 20 cents per share (being the issue price of shares under the capital raising in April 2021). Vesting is calculated in line with the following table:

TSR	Vesting amount
Up to 10%	At the Board's discretion
Between 10% and 15%	Prorata between nil and 50% of Rights (eg at 12% TSR then 20% of Rights would vest)
15%	50% of Rights
Between 15% and 25%	Prorata between 50% and 100% of Rights (eg at 20% TSR then 75% of rights would vest)
25% and above	100% of Rights

No performance rights were exercised or lapsed during the year ended 30 September 2021.

g Share-based payments

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2021 **$**	2020 $
Employer loan funded share plan	**56,763**	40,500
Performance rights	**117,062**	-
Share discount	**70,000**	-
	243,825	40,500

7 Business combination

a Acquisition of Supervised Investments Australia Ltd

On 23 March 2021, HGL acquired 100% of the equity of Supervised Investments Australia Limited (subsequently renamed "H&G Investment Management Ltd" or H&GIM). H&GIM is the investment manager of The Supervised Fund (subsequently renamed "H&G High Conviction Fund"), an unlisted investment fund which had approximately $14 million funds under management. The acquisition was undertaken to diversify HGL's sources of investment entity earnings, providing HGL with an investment management business with an existing AFSL and associated structures.

The purchase price was settled through the issuance of 3 million HGL Ltd shares at an issue price of $0.24 per share, as approved by shareholders at the Annual General Meeting.

Goodwill has been recognised on the acquisition, reflecting the value of the AFSL to HGL, its importance to HGL's strategy of diversifying investment income sources, and the ability to generate management and performance fees on an established fund. It is HGL’s intention to re-market the H&G High Conviction Fund and grow funds under management over the coming periods including adding new investment funds and products.

H&GIM contributed revenues of $359,000 and EBIT of $198,000 to the HGL Group over the period from acquisition to balance date.

Acquisition costs of $15,000 have been incurred in relation to the acquisition as at 30 September 2021. The assets and liabilities recognised as a result of the acquisition are shown below, and have been prepared are on a provisional basis at 30 September 2021.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	**-**
Equity issued on acquisition	**720**
Total purchase consideration	**720**

	Fair value **$'000**
Other debtors	**13**
Employee liabilities	**(5)**
Goodwill	**712**
Net assets acquired	**720**

b Disposal of JSB Lighting

In November 2020 HGL announced the merger of JSB Lighting with FOS Capital, whereby FOS would acquire 100% of the equity in Baker & McAuliffe Holdings Pty Ltd in exchange for 3,000,000 shares in FOS Capital Ltd at an agreed value of 20c per share. The disposal followed a strategic review of the JSB Lighting business which concluded it did not have the scale to generate suitable returns for HGL Ltd as a standalone business. As part of the sale and in anticipation of the subsequent listing of FOS Capital on the Australian Stock Exchange, HGL agreed to a voluntary escrow on its shares for a period of 2 years from the listing date.

c Accounting policy

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

8 Events occurring after the reporting period

On 16 September 2021 HGL announced it had reached agreement to sell 100% of the equity in BLC Cosmetics Pty Ltd (BLC) to ASX listed Cellmid Ltd (ASX: CDY) for consideration of $1,000,000 cash plus 32,786,885 CDY shares up front, and an additional earnout payment in twelve months from completion based on incremental earnings in FY22 above $500,000. The sale completed on 2 November 2021. The valuation of BLC in the balance sheet at 30 September 2021 reflects the anticipated sale value of BLC under the negotiated share sale agreement.

On 27 October 2021 directors declared a dividend of 1 cent per share. More details can be found in note 4.

There have been no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

9 Cash flow information

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2021 $'000	2020 $'000
Cash at banks and on hand	**7,367**	3,858
Term deposit	**202**	-
Cash and cash equivalents	**7,569**	3,858

	2021 $'000	2020 $'000
Reconciliation of cash flow from operations with operating profit after income tax		
Operating profit after income tax	**15,599**	(12,699)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	**230**	2,808
Amortisation and impairment of intangible assets	**-**	11,039
Non-cash employee benefits expense - share-based payments	**242**	-
Net (gain)/loss on sale of property, plant and equipment	**1**	250
Debt forgiven	**(1,118)**	-
Net (gains)/losses on assets and liabilities at fair value through profit or loss	**(14,261)**	-
Share of profits of associates not received as dividends	**-**	(1,855)
Non-cash loss on deemed disposal of interest in associate	**-**	40
Change in fair value of financial instruments	**-**	(1,211)
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	**(481)**	623
(Increase)/decrease in inventories	**-**	156
(Increase)/decrease in prepayment	**(1)**	(51)
(Increase)/decrease in deferred tax assets	**(364)**	2,568
Increase/(decrease) in trade creditors	**(673)**	1,677
Increase/(decrease) in other provisions	**74**	(73)
Increase/(decrease) in lease liabilities	**(190)**	-
Increase/(decrease) in income taxes payable	**-**	107
Increase/(decrease) in other non-current provisions	**-**	(183)
Net cash (outflow)/inflow from operating activities	**(942)**	3,196

a Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Settlement of a business combination through the issue of shares - note 7
- Shares issued to employees under the employee share scheme for no cash consideration - note 6.

b Accounting policies

For purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

10 Other income and expense items

a Other income

	Notes	2021 $'000	2020 $'000
Dividends received		**1,522**	-
Other income		**2,427**	1,170
		3,949	1,170

b Breakdown of expenses by nature

	2021 $'000	2020 $'000
Depreciation and amortisation expensed to profit and loss		
- Plant and equipment	40	1,314
- Right of use asset	190	1,332
- Intangibles	-	162
Total depreciation and amortisation	**230**	2,808
Employee benefit expenses		
- Salary and wages	972	12,683
- Defined contribution superannuation expense	74	975
Total Employee benefit expenses	**1,046**	13,658
Bad Debt	**-**	164
Write (back) / down of inventories to net realisable value	**-**	449
Lease expenses	**193**	628
Foreign exchange gain / (loss)	**-**	(69)

c Finance income and costs

	2021 $'000	2020 $'000
Finance costs		
Finance institutions - interest expenses and line fees	**35**	198
Interest on lease liabilities	**26**	294
Finance costs expensed	**61**	492
Net finance costs	**61**	492

d Accounting policies

Revenue is recognised when control of the asset has passed to the buyer and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account any discounts, allowances and GST.

Sale of goods

The Group derives its revenue from the transfer of goods at a point in time, predominantly through repeating individual sales of goods which are not typically subject to supply contracts beyond standard trading terms of sale.

d Accounting policies (continued)

Revenue from the sale of goods is recognised when control of the goods has passed to the customer, usually on delivery of the goods. The despatch of goods to the customer reflects satisfaction of the performance obligation attached to the sale. There are no financing components incorporated within the sale terms, and payment is generally due within 30 to 60 days from delivery.

Under the Group’s standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned.

The nature of the sales of goods means that there are no contract assets or liabilities required to be recognised on the balance sheet.

Rental income

Revenue from the rental of equipment is recognised daily in line with the period over which the customer has physical possession of the goods on a straight line basis.

Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants were received by the Group in the current year for employees and support in relation the impacts of COIVD-19.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are expensed in the period in which they occur.

11 Income tax

a Income tax expense

	2021 $'000	2020 $'000
Current tax		
Current tax on profits for the year	**(286)**	(2,432)
Adjustments for current tax of prior periods	**-**	89
Total current tax expense	**(286)**	(2,343)
Deferred income tax		
Decrease/(increase) in deferred tax assets	**(3,262)**	5,024
(Decrease)/increase in deferred tax liabilities	**3,184**	-
Total deferred tax (expense)/benefit	**(78)**	5,024
Income tax expense /(benefit)	**(364)**	2,681
Income tax expense is attributable to:		
(Loss)/profit from continuing operations	**(364)**	2,681

b Numerical reconciliation of income tax expense to prima facie tax payable

	2021 $'000	2020 $'000
Profit from continuing operations before income tax expense	**15,234**	(10,017)
Tax at the Australian tax rate of 26% (2020 - 27.5%)	**3,961**	(2,755)
Impact of future tax rate reduction	**4**	-
Equity accounted investments	**-**	(633)
De-recognition of deferred tax assets	**-**	2,546
Impairment of goodwill	**-**	2,936
De-recognition of current year temporary differences	**-**	(456)
Non allowable expenses	**328**	58
Prior year under/(over) provision	**-**	89
Non assessable items	**(26)**	(276)
Current year tax loss not recognised in DTA	**-**	1,069
Other	**-**	103
Fully franked dividends received	**(331)**	-
Non-assessable revaluation gains	**(3,714)**	-
Revenue losses recognised during year	**(738)**	-
Capital losses recognised during year	**(3,840)**	-
Deferred tax items recognised during year	**3,992**	-
Income tax expense /(benefit)	**(364)**	2,681

c Deferred tax

Deferred tax comprises:

	2021 $'000	2020 $'000
Deferred tax assets	**234**	-
Deferred tax liabilities	**(285)**	(129)
Net deferred taxes	**(51)**	(129)

c Deferred tax (continued)

Movements in net deferred taxes during the period were

Consolidated entity	Provisions $'000	Investments $'000	Plant & equipment $'000	Right of use assets $'000	Lease liabilities $'000	Tax losses and offsets carried forward $'000	Other sundry $'000	Total $'000
2021								
Opening balance	164	-	(683)	-	195	454	(259)	(129)
Deconsolidation	(164)	-	683	-	(195)	(454)	259	129
Charged to P&L	42	(4,027)	-	(99)	131	3,840	62	(51)
Total	42	(4,027)	-	(99)	131	3,840	62	(51)

Consolidated entity	Provisions $'000	Plant & equipment $'000	Leases liabilities $'000	Tax losses and offsets carried forward $'000	Other sundry $'000	Total $'000
2020						
Opening balance	690	(256)	-	1,832	173	2,439
Charged to P&L	(526)	(427)	195	(1,378)	(432)	(2,568)
Total	164	(683)	195	454	(259)	(129)

d Tax losses

The group has a further $24.6 million of gross revenue losses, and $12.0 million of gross capital losses, which have not been brought to account at 30 September 2021. These losses are subject to utilisation rules in future periods such as the Continuity of Ownership Test or Same Business Test.

e Significant estimates

Tax benefit includes $3.8 million from the recognition of Deferred Tax Assets (DTA) on the balance sheet. It is a key assumption that the Group will continue to generate ongoing taxable income to be able to utilise this DTA, The Income Tax benefit on the profit and loss statement and that any revenue losses recognised on the balance sheet will remain available for use across future periods, including by ongoing satisfaction of Income Tax rules such as the Continuity of Ownership Test or Same Business Test.

f Accounting Policies

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available for utilisation.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax consolidation legislation

HGL Limited and its wholly-owned Australian controlled entities have implemented tax consolidation, and entered into tax funding and tax sharing agreements.

f Accounting Policies (continued)

The head entity, HGL Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right, adjusted for intercompany transactions.

In addition to the current and deferred tax amounts, HGL Limited also recognises the current tax liabilities (or assets) and the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities, recorded at the tax equivalent amount, arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

12 Trade and other receivables

	2021 Current $'000	2020 Current $'000
Trade receivables	**248**	4,935
Provision for expected credit losses	**-**	(294)
	248	4,641
Other receivables	**177**	324
Trade and other receivables	**425**	4,965
Loans to related parties	**902**	-
Total receivables	**1,327**	4,965

Further information relating to loans to related parties and key management personnel is set out in note 20.

a Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

b Allowance for expected credit losses

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group has historically had immaterial levels of credit losses which have resulted in non-recovery of amounts outstanding from trade receivables. Recognition of an expected credit loss in the provision for doubtful debts is based predominantly on the estimated recoverability of specific long overdue debtor balances. A provision is raised against debtors to reflect historical loss experience on debtors with similar characteristics.The trade receivable is retained on the balance sheet net of the expected credit loss provision pending the outcome of any recovery activities.

The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off remain subject to enforcement activities.

b Allowance for expected credit losses (continued)

The Group has not experienced a material change in credit losses arising from COVID-19 impacts on our customers.

13 Property, plant and equipment

	2021 $'000	2020 $'000
Plant and equipment		
Gross value	**183**	2,719
Accumulated depreciation	**(102)**	(1,614)
Net carrying value	**81**	1,105
Rental equipment		
Gross value	**-**	6,651
Accumulated depreciation	**-**	(3,219)
Net carrying value	**-**	3,432
Net carrying value	**81**	4,537

a Movements during the period

	Plant and equipment $'000	**Leased plant and equipment $'000**	**Total $'000**
Year ended 30 September 2021			
Opening net book amount	1,105	3,432	4,537
Additions	14	-	14
Disposals	(1)	-	(1)
Depreciation charge	(40)	-	(40)
Derecognition on deconsolidation	(997)	(3,432)	(4,429)
Closing net book amount	81	-	81

	Plant and equipment $'000	**Leased plant and equipment $'000**	**Total $'000**
Year ended 30 September 2020			
Opening net book amount	1,191	2,549	3,740
Additions	709	1,660	2,369
Disposals	(257)	-	(257)
Depreciation charge	(538)	(777)	(1,315)
Closing net book amount	1,105	3,432	4,537

b Accounting policies

Plant and equipment and rental equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

b Accounting policies (continued)

Revaluation, depreciation methods and useful lives

Items of plant and equipment are depreciated over their estimated useful lives using the straight line or reducing balance methods. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period.

The cost of improvements to or on leasehold properties is depreciated over the lesser of the period of the lease or the estimated useful life of the improvement.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment	3 to 10 years
- Lessor assets	1 to 7 years

14 Intangible assets

	2021 $'000	2020 $'000
Intangible Assets		
Goodwill	**712**	13,177
Impairment	**-**	(10,678)
Net carrying amount of Goodwill	**712**	2,499
Designs	**-**	175
Accumulated amortisation	**-**	(70)
Impairment	**-**	(105)
Net carrying amount of designs	**-**	-
Other Intangibles	**-**	1,606
Accumulated amortisation	**-**	(180)
Impairment	**-**	(256)
Net carrying amount of other intangibles	**-**	1,170
Net carrying amount	**712**	3,669

a Intangible assets movements

	Goodwill $'000	**Other Intangibles $'000**	**Total $'000**
Year ended 30 September 2021			
Opening net book amount	2,499	1,170	3,669
Additions	712	-	712
Derecognition on deconsolidation	(2,499)	(1,170)	(3,669)
Closing net book amount	712	-	712

	Goodwill $'000	Designs $'000	Other Intangibles $'000	Total $'000
Year ended 30 September 2020				
Opening net book amount	13,177	126	1,566	14,869
Amortisation charge	-	(21)	(140)	(161)
Impairment charge	(10,678)	(105)	(256)	(11,039)
Closing net book amount	2,499	-	1,170	3,669

b Allocation of goodwill

Goodwill recognised during the period arose on the acquisition of Supervised Investments Australia Ltd (now H&G Investment Management Ltd (H&GIM)).

c Impairment testing

Determining whether goodwill is impaired requires an estimation of the value in use (VIU) of the cash generating units to which goodwill has been allocated. The VIU calculation requires estimation of the future cash flows expected to arise from the cash generating unit, and application of a suitable discount rate to calculate present value.

HGL has undertaken an impairment assessment to compare the recoverable amount of each CGU to its carrying value, using a VIU approach.

The key assumption for the impairment assessment is the growth of Funds under Management (FUM) over the forecast period by new investor subscriptions. Following its acquisition by HGL, H&GIM has relaunched the H&G High Conviction Fund to market, and actively sought additional opportunities to grow FUM. These initiatives combined with strong investment returns in the funds, have seen both management and performance fees generated exceed initial estimates. A pre-tax discount rate of 15.0% has been used for the calculation.

The impairment calculation is most sensitive to the assumption of growth in underlying FUM through the subscription by new investors into the funds. If annual subscriptions to the fund grew by only 60% of forecast the carrying value of goodwill would approximate fair value per the VIU calculation.

d Accounting policies

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

d Accounting policies (continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Goodwill is tested for impairment annually as at 30 September and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

15 Trade and other payables

	2021 $'000	2020 $'000
Current liabilities		
Trade payables and accruals	**391**	7,822

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

16 Provisions

	2021 $'000	2020 $'000
Current		
Employee benefits	**(127)**	(1,353)
Restoration provision	**-**	(13)
	(127)	(1,366)
Non current		
Employee benefits	**(42)**	(272)
Restoration provision	**-**	(40)
	(42)	(312)

Restoration provisions

	2021 $'000	2020 $'000
Balance at beginning of financial year	**53**	84
Additional lease provisions recognised	**-**	40
Reductions arising from payments	**-**	(71)
Derecognition on deconsolidation	**(53)**	-
Balance at the end of financial year	**-**	53

a Accounting Policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and are capable of being measured reliably. Employee benefits expected to be settled wholly within 12 months are measured at their nominal values using the remuneration rate expected to apply at time of settlement. Employee benefit provisions, which are not expected to be settled wholly within 12 months, are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

Restoration provision

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

17 Leases

a Right of use assets

	2021 $'000	2020 $'000
Property leases	**776**	4,851
Accumulated depreciation	**(380)**	(932)
Net carrying amount of property leases	**396**	3,919
Motor vehicle leases	**-**	507
Accumulated depreciation	**-**	(169)
Net carrying amount of motor vehicle leases	**-**	338
Equipment leases	**-**	153
Accumulated depreciation	**-**	(33)
Net carrying amount of equipment leases	**-**	120
Net carrying amount	**396**	4,377

b Movements

	Property leases $'000	MV leases $'000	Equipment leases $'000	Total $'000
Year ended 30 September 2021				
Opening net book amount	3,919	338	120	4,377
Depreciation charge	(158)	-	-	(158)
Derecognition on change of assumption	(1,281)	-	-	(1,281)
Derecognition on deconsolidation	(2,084)	(338)	(120)	(2,542)
Closing net book amount	396	-	-	396

	Property leases $'000	MV leases $'000	Equipment leases $'000	Total $'000
Year ended 30 September 2020				
Opening net book amount	4,766	355	-	5,121
Exchange differences	(10)	-	-	(10)
Additions	2,690	47	153	2,890
Depreciation charge	(1,212)	(64)	(33)	(1,309)
Derecognition on change of assumption	(2,315)	-	-	(2,315)
Closing net book amount	3,919	338	120	4,377

c Lease liabilities

	2021 $'000	2020 $'000
Lease liabilities		
Current	**245**	1,298
Non-current	**281**	3,387
	526	4,685

c Lease liabilities (continued)

d Amounts recognised in the statement of profit or loss

	2021 $'000	2020 $'000
Amounts recognised in profit and loss		
Interest expense on lease liabilities (included in finance cost)	**26**	280
Expense relating to short-term leases on low value assets (included in cost of goods sold and administrative expenses)	**3**	628

e Accounting policies

Right-of-use-assets

The Group recognises right-of-use assets at the commencement of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of liabilities recognised and lease payments made at or before the commencement date, less any incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Unless the Group is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments under AASB 136 Impairments of Assets.

Lease liabilities

At the commencement of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include renewal periods where the Group is reasonably certain to exercise the renewal option.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the COVID-19 pandemic.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has made use of the practical expedient available on transition to AASB16 not to reassess whether a contract is or contains a lease. Accordingly the definition of a lease in accordance with AASB117 and interpretation 4 will continue to be applied to those leases entered or changed before 1 October 2019.

Short-term lease and leases of low-value assets

The Group applies a recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies a recognition exemption to leases that are considered of low value.

Lease payments on short-term and low-value leases are recognised as expense on a straight-line basis over the lease term.

e Accounting policies (continued)

Judgements in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew.

f Extension and termination options

Extension and termination options are included in the property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The extension option in the warehouse lease has not been included in the lease liability as it is anticipated that the sale by the Group of SPOS (the main occupier of the premises) will be completed by this time, and there will be no need for directly leased warehousing in the consolidated group.

18 Reserves

	2021 $'000	2020 $'000
Foreign currency translation	**-**	(159)
Other reserves	**265**	(1,017)
Share based payments	**348**	41
Profit reserves	**15,599**	-
Option reserves	**1,296**	-
	17,508	(1,135)

The Profit reserve represents amounts transferred from current year profits and are preserved for future dividend payments.

The Share Based Payments reserve represents the expense recognised in relation to share related dealings with employees, including Performance Rights and the Employee Loan Funded Share Plan.

The Foreign currency translation reserve arises on the retranslation of the opening net assets of overseas subsidiaries, at year end rates of exchange, net of tax.

The Option Reserve represents the fair value of options granted over Company shares classified as payment for capital raising services under the accounting standards.

Other reserves includes the excess of the purchase consideration over the share of net assets acquired on the increase in equity interests, classified as common controlled transactions under AASB 3 Business Combinations, and HGL's share of movements in the reserves of its Equity Accounted Associates.

19 Parent entity financial information

	2021 **$'000**	2020 $'000
Balance sheet		
Current assets	**16,789**	397
Non-current assets	**31,457**	13,540
Total assets	**48,246**	13,937
Current liabilities	**335**	2,219
Loans from 100% owned subsidiaries	**-**	5,581
Non-current liabilities	**315**	250
Total Liabilities	**650**	8,050
Net assets	**47,596**	5,887
Shareholders' equity		
Issued capital	**58,274**	42,477
Reserves		
Other reserves	**265**	265
Share-based payments	**348**	41
Profit reserves	**15,599**	-
Option reserves	**1,296**	-
Accumulated losses	**(58,030)**	(71,793)
Retained earnings	**29,844**	34,897
Total equity	**47,596**	5,887
Profit or loss for the period	**18,147**	(13,762)
Total comprehensive income	**18,147**	(13,762)

20 Related party transactions

a Key management personnel compensation

	2021 **$**	2020 $
Short-term employee benefits	**822,932**	1,027,389
Post-employment benefits	**80,191**	86,028
Long-term benefits	**15,831**	8,647
Termination benefits	**230,000**	296,418
Share-based payments	**243,826**	40,500
	1,392,780	1,458,982

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 15.

Directors and their related entities are able, with all staff members, to purchase goods distributed by the Group on terms and conditions no more favourable than those available to other customers.

There were no other transactions with key management personnel during the period.

b Transactions with other related parties

The Company received dividends from related parties totalling $1,514,000. These parties may have dividend payment restrictions imposed on them by the related party's bank which limits the ability of HGL to receive distribution income.

During the year the Company sourced services such as insurance, legal fees and IT support, for the benefit of the Group or its individual controlled entities. Where these costs were attributable to a specific related party, these costs were recharged by the Company to that entity. Total recharges to entities that did not form part of the Consolidated Group during the financial year were $516,599

HGL Logistics Pty Ltd holds the head lease of premises used by related parties for warehousing and office space. During the financial year $490,327 was recharged to related parties for rent.

The Company provides CFO consulting services to the Mountcastle Group. $68,750 was invoiced to Mountcastle Group for these services during the financial year.

On 23 March 2021 the Group acquired 100% of the equity in Supervised Investments Australia Ltd (SIAL) from David Constable. Mr Constable is a related party of the Company, as he is the father of Mr Joseph Constable, a Director of the Company. In consideration for the sale of Mr Constable’s shares in SIAL he was issued with 1,903,893 shares, as approved by Shareholders at the HGL Ltd Annual General Meeting held on 24 February 2021. More information on the acquisition of SIAL can be found in note 7(a)

c Loans to/from related parties

	2021 **$**
Loans to other related parties	
Loan balances at the beginning of the year	**752,926**
Loans advanced to related parties	**1,080,000**
Repayment received from related parties	**(440,000)**
Net related party loans forgiven	**(490,709)**
Loan balances at the end of the year	**902,217**
Recharges to/from related parties	
Services	**516,569**
Rent	**490,327**
Employment cost	**68,750**
Total recharges to related parties	**1,075,646**

21 Commitments and contingencies

a Lease commitments

There are no significant lease commitments at balance date except those associated with the Right of Use Assets as outlined in note 17.

b Capital commitments

There are no significant capital expenditure commitments at balance date.

c Contingent liabilities

There are no significant contingent liabilities at balance date.

22 Corporate information

The consolidated financial statements of HGL Limited and its subsidiaries (collectively, the Group) for the year ended 30 September 2021 were authorised for issue in accordance with a resolution of the directors on 24 November 2021.

HGL Limited (the Company) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX Code HNG).

The Group is principally engaged in investing in diversified asset categories, including listed and unlisted equities, and private equity investments. HGL provides active support to those investees in which we hold a significant equity stake, including facilitation of some services and secondment of personnel.

The Group's principal place of business is Suite 803, Level 8, 25 Bligh St, Sydney, NSW, 2000, Australia. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report.

23 Summary of significant accounting policies

a Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain financial instruments.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The consolidated financial statements provide comparative financial information in respect of the previous period.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

Compliance with Australian Accounting Standards

The consolidated consolidated financial statements of the HGL Limited Group have been prepared in accordance with Australian Accounting Standards Board (AASB) and interpretations issued by the AASB Interpretations Committee (AASB IC) applicable to companies reporting under AASB. The financial statements comply with AASB as issued by the Australian Accounting Standards Board (AASB).

b Basis of consolidation

As outlined in Note 1, the Group prepares its financial statements using the investment entity basis of accounting, whereby the fair value of each investee business unit is recognised as a single investment value in the balance sheet. Subsequent movements in the assessed fair value of the businesses are recognised as 'Net realised and unrealised gains on investments' in profit and loss.

Group revenue arising from these businesses now reflects distributions made to the head entity in its capacity as a shareholder of that business, rather than the underlying trading income and profits previously shown.

An entity that is not considered a standalone investee company, where the activities of the entity are substantially those of investing, will be consolidated into the Group in accordance with AASB10: Consolidated Financial Statements.

The consolidated financial statements comprise the financial statements of the Group and those subsidiaries deemed to be carrying on investment activities as at 30 September 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

b Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

•The contractual arrangement(s) with the other vote holders of the investee;
•Rights arising from other contractual arrangements; and
•The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

c New accounting standards and interpretations

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 September 2021. The directors have not early adopted any of these new or amended standards or interpretations.

The directors have not finalised their assessment of these accounting standards on the Group and its financial reports, however on initial consideration they do not consider it likely there will be a material impact on the financial statements in future periods.

24 Remuneration of auditors

The auditor of HGL Limited is UHY Haines Norton Sydney who were appointed at the 2021 AGM. The previous auditor was Deloitte Touche Tohmatsu.

a Amounts received or due and receivable by UHY Haines Norton Sydney in FY21:

	2021
	$
An audit or review of the financial report of the entity and any other entity in the consolidated group	**80,000**
Other non-audit services in relation to the entity and any other entity in the consolidated group	**-**
Total services provided by UHY Haines Norton Sydney	**80,000**

b Amounts received or due and receivable by Deloitte Touche Tohmatsu in FY20:

	2020 $
An audit or review of the financial report of the entity and any other entity in the consolidated group	150,000
Other non-audit services in relation to the entity and any other entity in the consolidated group	10,500
Total services provided by Deloitte Touche Tohmatsu	160,500

c Other auditors and their related network firms

It is the Group's policy to engage the Group's auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. These assignments are principally the provision of tax advice.

25 Segment information

As outlined in Note 1of this financial report, HGL adopted the investment entity basis of accounting for an investment entity during the financial year. Consequently, all income and expenses for the Group are derived from and incurred for the generation of investment income. As a result, and with effect from 1 October 2020, HGL operates as a single segment, Investing, and there are no separate reportable operating segments for the current period.

26 Inventories

	2021 $'000	2020 $'000
Current assets		
Raw materials (at cost)	**-**	890
Finished goods (at lower of cost or net realisable value)	**-**	3,723
	-	4,613

a Accounting Policies

Inventories are valued at the lower of cost and net realisable value.

Cost is calculated with reference to purchase price, including freight and other associated costs, and is based on a weighted average cost. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

The Group’s inventories are analysed by business unit each reporting period for recoverability of the carrying value. This involves judgements around physical stock levels, sell through rates on specific product lines, and recent selling prices achieved.

An allowance is made against the cost of inventory items where evidence indicates that product ranges are no longer on range, or volumes on hand exceed reasonable sale periods. An allowance is also made when historical selling prices approach cost, to reflect the potential requirement for discounting product to clear.

27 Non-controlling interests

	2021 $'000	2020 $'000
Balance at beginning of financial year	**1,884**	1,572
Profit attributable to non controlling interests	**-**	312
Deconsolidation	**(1,884)**	-
	-	1,884

The non-controlling interests (NCI) at 30 September 2020 reflect a minority interest in the Pegasus Health Group. With the change in the basis of accounting for HGL's investments during the period, the NCI has been reduced to nil on deconsolidation.

a Accounting Policies

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation, may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

28 Interests in other entities

a Significant controlled entities

1) Controlled entities consolidated into these financial statements as an investment entity

Name of entity	Country of incorporation	Ownership interest held by the group 2021 %	2020 %
HGL Limited	Australia	**100**	100
HGL Logistics Pty Ltd	Australia	**100**	100
HGL Investments Pty Ltd	Australia	**100**	-
H&G Investment Management Ltd	Australia	**100**	-

2) Controlled entities accounted for as an investee

Name of entity	Country of incorporation	Ownership interest held by the group 2021 %	2020 %
Baker & McAuliffe Holdings Pty Limited (trading as JSB Lighting)	Australia	**-**	100
BLC Cosmetics Pty Limited	Australia	**100**	100
Hamlon Pty Limited (trading as SPOS)	Australia	**100**	100
Pegasus Health Group	Australia	**70**	70
Certitude Healthcare Trust	Australia	**70**	70
The Point-of-Sale Centre (New Zealand) Limited	New Zealand	**100**	100
BLC Cosmetics (NZ) Limited	New Zealand	**100**	100
JSB Lighting (New Zealand) Limited	New Zealand	**-**	100

Certain immaterial entities have not been disclosed in the above listing of controlled entities.

b Interests in associates

2020	Ownership interest %	Carrying Value 2020 $'000	Profit Contribution 2020 $'000
Mountcastle Pty Ltd	**45**	8,159	2,303
Total equity-accounted investments		8,159	2,303

As outlined in note 1, the Group adopted the investment entity basis of accounting during the year. As a result, Mountcastle is no longer accounted for as an Equity Accounted Associate for the year ended 30 September 2021.

c Summarised financial information for associates and joint ventures

Summarised balance sheet	Consolidated entity 2021 $'000	Consolidated entity 2020 $'000
Current assets		
Cash and cash equivalents	-	6,404
Other current assets	-	19,505
	-	25,909
Non-current assets	-	22,621
Current liabilities		
Financial liabilities (excluding trade payables)	-	(9,428)
Other current liabilities	-	(3,641)
	-	(13,069)
Non-current liabilities		
Non-current Financial liabilities	-	(15,793)
Other non-current liabilities	-	(291)
	-	(16,084)
Non-controlling interests	-	(1,182)
Net Assets attributable to members of the parent	-	**18,195**
Group share in %		45.0%
Carrying amount of the investment	-	8,159

Summarised statement of comprehensive income	Consolidated entity 2021 $'000	Consolidated entity 2020 $'000
Revenue	-	39,435
Interest income	-	-
Depreciation and amortisation	-	913
Interest expense	-	292
Income tax expense	-	1,909
Profit from discontinued operations	-	-
Profit for the period	-	5,530

d Accounting policies

The Group's investments in its associate are accounted for using the equity method.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The requirements of AASB136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB136 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities

Directors' declaration

In the directors' opinion:

(a) the consolidated financial statements and notes set out on pages 19 to 66 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2021 and of its performance for the financial year ended on that date, 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 23(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the and required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Alexander (Sandy) Beard
Director

24 November 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of HGL Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of HGL Limited and the entities it controlled (together the Group) for the year-ended 30 September 2021, which comprises the consolidated statement of financial position as at 30 September 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 September 2021 and of its financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

VALUATION OF FINANCIAL INSTRUMENTS

Why a key audit matter	How our audit addressed the risk
Following the adoption of investment entity accounting in the period, HGL's investments in other entities are prescribed to be valued at fair value in accordance with AASB 9. This can involve significant judgement and estimation uncertainty, particularly for investments classed as level 2 or level 3 in the fair value hierarchy. HGL has significant investments and other financial instruments which are accounted at fair value. We considered the valuation of financial assets to be a significant risk area due to the materiality of the balance to the financial statements as a whole and the level of estimation uncertainty involved.	We performed the following audit procedures, amongst others: • We assessed the appropriateness of the Group's valuation policies, including changes from prior periods and the initial adoption of investment entity accounting; • We assessed whether the classification of financial assets appeared appropriate; • We agreed key inputs from management's calculation to supporting documentation, including confirmations and publically available market data; • We recalculated an expected fair value of financial assets and compared it to management's valuation • We performed procedures in accordance with Australian Auditing Standards for assessing the work of an expert employed by management • We also assessed the reasonability and completeness of the company's disclosures against the requirements of Australian Accounting Standards.

IMPAIRMENT OF GOODWILL

Why a key audit matter	How our audit addressed the risk
The Group has recognised a significant goodwill balance relating to its acquisition of Supervised Investments Australia Limited (SIAL) in the period. AASB 136 requires entities to assess whether goodwill balances are impaired on at least an annual basis. This assessment involves significant judgement and estimation uncertainty. We considered this a significant risk area due to the materiality of the goodwill balance to the financial statements as a whole and the level of estimation uncertainty involved.	We performed the following audit procedures, amongst others: • We reconciled goodwill balances recorded to supporting documentation, including acquisition documentation • We assessed whether indicators of impairment were noted in respect of SIAL • We performed an independent assessment of the value in use of SIAL in accordance with the requirements of AASB 136 and compared this to the relevant carrying value • We also assessed the reasonability and completeness of the company's disclosures against the requirements of Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 15 of the directors' report for the year ended 30 September 2021.

In our opinion, the Remuneration Report of HGL Limited for the year ended 30 September 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group 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 Australian Auditing Standards.

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
24 November 2021

UHY Haines Norton
Chartered Accountants

Shareholder information

The shareholder information set out below was applicable as at 1 November 2021

A. Distribution of equity securities

The number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

	Class of equity security Ordinary shares Shares	
Holding	**No of holders**	**Units**
1 - 1000	313	126,850
1,001 - 5,000	309	824,090
5,001 - 10,000	150	1,166,624
10,001 - 100,000	295	10,870,468
100,001 and over	149	165,919,757
	1,216	178,907,789

Number of shareholders holding less than a marketable parcel (1,588 shares) is 380

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Ordinary shares**	
	Number held	**Percentage of issued shares**
SERY PTY LIMITED	22,065,555	12.33
ALEXANDER DAMIEN HARRY BEARD	9,390,724	5.25
ALEXANDER BEARD + MAIRE BEARD <AD & MP BEARD SUPER FUND	8,300,000	4.64
AUS CONFEC PTY LTD	8,230,000	4.60
GREEN FAMILY PTY LTD <GREEN FAMILY SUPER FUND2 A/C>	8,230,000	4.60
TSL SUPER PTY LTD <TSL SUPER FUND A/C>	8,230,000	4.60
IJV INVESTMENTS PTY LTD	8,172,240	4.57
MR DAVID NEIL CONSTABLE	5,114,476	2.86
DR IDA CONSTABLE	5,008,439	2.80
FAYRSTEDE PTY LTD <COOPER SUPER FUND A/C>	3,958,483	2.21
UBS NOMINEES PTY LTD	3,950,000	2.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,445,888	1.93
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,032,000	1.69
KJE SUPERANNUATION PTY LTD <KJE SUPERANNUATION S/F A/C>	2,971,180	1.66
LPO INVESTMENTS PTY LIMITED	2,879,070	1.61
CANNINGTON CORPORATION PTY LTD <CANNINGTON SUPER FUND	2,780,240	1.55
MRS JENNIFER ANN HERSHON	2,682,052	1.50
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,637,344	1.47
FISKE PLC	2,267,163	1.27
X F INVESTMENTS PTY LTD <ATKINSON DISCRETIONARY A/C>	2,194,070	1.23
	115,538,924	64.58

C. Substantial holders

The names of the substantial shareholders as disclosed in substantial shareholder notices received by the Company:

	Number held	Percentage
Ordinary shares		
Sery Group	28,133,157	16.08%
Constable Group	22,822,634	12.80%
AD & MP Beard ATF AD & MP Beard Superannuation Fund	19,265,724	11.01%