H&G High Conviction Limited

ASX: HCF

Appendix 4D
Preliminary Half-year Report
Half-year 31 December 2022

Reporting period:	31 December 2022
Previous corresponding period:	N/A

Results for announcement to the market

	Current Period $'000	Previous Period $'000
Income from ordinary activities	**1,563**	N/A
Profit from ordinary activities after tax attributable to members	**854**	N/A
Net profit for the period attributable to members	**854**	N/A
Earnings per share (cents per share), basic and diluted	**4.9**	N/A
Post-tax net tangible assets per share (cents per share)	**101**	N/A
Pre-tax net tangible assets per share (cents per share)	**106**	N/A

Dividends

An interim unfranked dividend of 2 cents per share has been declared by the board.

Ex date: 17 March 2023
Record date: 20 March 2023
Payment date: 24 March 2023

H&G High Conviction Limited

ACN: 660 009 165

Financial Statements

For the Half-year Ended 31 December 2022

H&G High Conviction Limited

ACN: 660 009 165

Contents

Directors’ Report

The directors submit the financial report of the Company for the half-year ended 31 December 2022.

Review of operations

The directors of listed investment company H&G High Conviction Limited (ASX: HCF) (**HCF** or **Company**) are pleased to present the Company’s first set of financial accounts.

HCF was established on 8 June 2022 and shortly after acquired an initial portfolio of cash and shares from H&G High Conviction Fund and other parties with an aggregate net asset value of approximately $16.5m. The Company subsequently conducted an initial public offer (**IPO**) with its shares first quoted on the ASX on 25 October 2022. The IPO raised $5.2m and all costs of the offer were borne by the Company's investment manager, H&G Investment Management Ltd (**the Manager**), a wholly-owned subsidiary of Hancock & Gore Limited (ASX: HNG).

HCF’s investment strategy, in line with the H&G High Conviction Fund, is to focus on a concentrated portfolio of 15-25 ASX-listed micro capitalisation companies. HCF invests in and actively engages with companies that it considers have superior fundamental prospects, but are priced by the market at a discount relative to perceived inherent value. HCF seeks to minimise capital loss and focuses on long-term capital growth and income from its portfolio companies.

For the period ended 31 December 2022, HCF made a net profit after tax of $854,082. Basic and diluted earnings per share after tax was 4.9 cents. The main drivers of this were a $809,517 realised gain on investments and a $586,277 unrealised gain on investments, offset by operating costs of $380,468. The major contributor to the $809,517 realised gain was the sale of shares in Proptech Group Limited (ASX: PTG), a large holding of HCF. PTG received a takeover bid on 31 October 2022 at a 131% premium to its last closing price. The major contributors to the $586,277 unrealised gain were Po Valley Energy Limited (ASX: PVE) and Kiland Limited (ASX: KIL), which increased in share price by 22% and 23% respectively over the period.

HCF's Net Tangible Asset (**NTA**) backing per share, as at 31 December 2022, was as follows:

- NTA per share after all taxes – $1.01
- NTA per share before deferred tax on unrealised gains – $1.06

HCF ended the period with $11,738,215 in cash, largely due to the funds raised from issuing new shares and realisation proceeds. The Company’s investment manager is actively pursuing new investment opportunities that meet the Company's stated investment strategy.

Dividends

An interim unfranked dividend of 2 cents per share has been declared by the board and will be paid on 24 March 2023.

As stated in HCF's prospectus, the Company intends to pay dividends where and when available from dividends received from underlying portfolio companies and a portion of realised profits from the sale of securities. Given HCF was established in June 2022 and has not paid any tax, the company is yet to generate a material level of franking credits. Future dividends will be franked to the maximum extent possible as the Company pays tax and receives franked dividends from its portfolio holdings.

H&G High Conviction Limited

ACN: 660 009 165

Financial Statements

For the Half-year Ended 31 December 2022

H&G High Conviction Limited

ACN: 660 009 165

Contents

Directors' Report

The directors submit the financial report of the Company for the half-year ended 31 December 2022.

Review of operations

The directors of listed investment company H&G High Conviction Limited (ASX: HCF) (**HCF** or **Company**) are pleased to present the Company's first set of financial accounts.

HCF was established on 8 June 2022 and shortly after acquired an initial portfolio of cash and shares from H&G High Conviction Fund and other parties with an aggregate net asset value of approximately $16.5m. The Company subsequently conducted an initial public offer (**IPO**) with its shares first quoted on the ASX on 25 October 2022. The IPO raised $5.2m and all costs of the offer were borne by the Company's investment manager, H&G Investment Management Ltd (**the Manager**), a wholly-owned subsidiary of Hancock & Gore Limited (ASX: HNG).

HCF's investment strategy, in line with the H&G High Conviction Fund, is to focus on a concentrated portfolio of 15-25 ASX-listed micro capitalisation companies. HCF invests in and actively engages with companies that it considers have superior fundamental prospects, but are priced by the market at a discount relative to perceived inherent value. HCF seeks to minimise capital loss and focuses on long-term capital growth and income from its portfolio companies.

For the period ended 31 December 2022, HCF made a net profit after tax of $854,082. Basic and diluted earnings per share after tax was 4.9 cents. The main drivers of this were a $809,517 realised gain on investments and a $586,277 unrealised gain on investments, offset by operating costs of $380,468. The major contributor to the $809,517 realised gain was the sale of shares in Proptech Group Limited (ASX: PTG), a large holding of HCF. PTG received a takeover bid on 31 October 2022 at a 131% premium to its last closing price. The major contributors to the $586,277 unrealised gain were Po Valley Energy Limited (ASX: PVE) and Kiland Limited (ASX: KIL), which increased in share price by 22% and 23% respectively over the period.

HCF's Net Tangible Asset (**NTA**) backing per share, as at 31 December 2022, was as follows:

- NTA per share after all taxes – $1.01
- NTA per share before deferred tax on unrealised gains – $1.06

HCF ended the period with $11,738,215 in cash, largely due to the funds raised from issuing new shares and realisation proceeds. The Company's investment manager is actively pursuing new investment opportunities that meet the Company's stated investment strategy.

Dividends

An interim unfranked dividend of 2 cents per share has been declared by the board and will be paid on 24 March 2023.

As stated in HCF's prospectus, the Company intends to pay dividends where and when available from dividends received from underlying portfolio companies and a portion of realised profits from the sale of securities. Given HCF was established in June 2022 and has not paid any tax, the company is yet to generate a material level of franking credits. Future dividends will be franked to the maximum extent possible as the Company pays tax and receives franked dividends from its portfolio holdings.

Information on directors

The names of each person who has been a director during the period and to the date of this report are:

David Groves	Non-Executive Chairman
Qualifications	David has a Bachelor of Commerce from the University of Wollongong and a Master of Commerce from the University of New South Wales, and is a member of the Institute of Chartered Accountants Australia and New Zealand.
Experience	David has over 25 years' experience as a company director. He is Chairman of Tasman Sea Salt Pty Ltd and is a Non-Executive Director of Pengana Capital Group Limited (ASX: PCG), Pengana International Equities Limited (ASX: PIA) and Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group. David is also the Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee for Pengana Capital Group Limited (ASX: PCG) and a member of the Council of the University of Wollongong. He is a former director of EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.
Nicholas (Nick) Atkinson	Executive Director
Qualifications	Nick has a Master of Business Administration (MBA) from Macquarie Graduate School of Management, a Bachelor of Commerce from the University of Queensland, and a Graduate Diploma in Applied Investment and Finance from FINSIA.
Experience	Nick has over 27 years' equity capital markets experience, that spans trading, research, sales, corporate finance and investment management. Nick has specialty expertise in the Energy, Healthcare/Life Sciences and Small Capitalisation sectors, garnered from working both in Australia as well as offshore in London and New York. Nick has been an executive at Hancock & Gore since June 2021. Prior to joining Hancock & Gore, Nick spent 14 years at Morgans Financial Limited, where he was Executive Director of Institutional Equities. Nick oversaw rapid growth of the division's profitability over a 10+year period.
Joseph Constable	Executive Director
Qualifications	Joseph has a Master of History from the University of Oxford and a Bachelor of Arts (Honours) from the University of Melbourne. He is a Graduate of the Australian Institute of Company Directors.
Experience	Joseph has worked in funds management since 2014 and has experience with UK-based Smith and Williamson and Hunter Hall International. Since 2016, he has worked at Supervised Investments Australia Limited, which was acquired by Hancock & Gore Limited and subsequently rebranded as H&G Investment Management Ltd. Joseph is a director and Portfolio Manager of the Manager and an Executive Director of Hancock & Gore Limited (ASX: HNG). He is also a Director of Po Valley Energy Limited (ASX: PVE).

UHY Haines Norton
Chartered Accountants

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

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

To the Directors of H&G High Conviction Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2022, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of H&G High Conviction Limited.

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
Dated: 27 February 2023

UHY Haines Norton
Chartered Accountants

H&G High Conviction Limited

ACN: 660 009 165

Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2022

	Note	31 December 2022 $
Fair value gains on financial instruments at fair value through profit and loss	4	**1,395,795**
Other income	4	**167,485**
		1,563,280
Performance fees expense		**(181,974)**
Management expense		**(110,552)**
Professional fees expense		**(45,853)**
Employee benefits expense		**(13,978)**
Other expenses		**(28,111)**
Profit before income tax		**1,182,812**
Income tax expense		**(328,730)**
Profit for the period		**854,082**
Other comprehensive income		-
Total comprehensive income for the period		**854,082**

	Note	
Earnings per share for profit attributable to the shareholders of H&G High Conviction Limited		**Cents**
Basic and diluted earnings per share	5	4.9

H&G High Conviction Limited

ACN: 660 009 165

Statement of Financial Position

As At 31 December 2022

	Note	31 December 2022 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6	**11,738,215**
Trade and other receivables	7	**28,186**
Financial assets held at fair value through profit and loss	8	**12,174,581**
Other assets	9	**44,401**
TOTAL CURRENT ASSETS		**23,985,383**
NON-CURRENT ASSETS		
Deferred tax asset		**9,000**
TOTAL NON-CURRENT ASSETS		**9,000**
TOTAL ASSETS		**23,994,383**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	10	**281,979**
Income tax payable		**252,457**
TOTAL CURRENT LIABILITIES		**534,436**
NON-CURRENT LIABILITIES		
Deferred tax liability		**1,179,532**
TOTAL NON-CURRENT LIABILITIES		**1,179,532**
TOTAL LIABILITIES		**1,713,968**
NET ASSETS		**22,280,415**
EQUITY		
Issued capital	11	**21,426,333**
Retained earnings		**854,082**
TOTAL EQUITY		**22,280,415**

H&G High Conviction Limited

ACN: 660 009 165

Statement of Changes in Equity
For the Half-year Ended 31 December 2022

	Ordinary Shares $	Retained Earnings $	Total $
Balance on incorporation	-	-	-
Shares issued at inception	16,226,333		16,226,333
Shares issued in IPO	5,200,000	-	5,200,000
Profit for the half-year	-	854,082	854,082
Balance at 31 December 2022	21,426,333	854,082	22,280,415

H&G High Conviction Limited

ACN: 660 009 165

Statement of Cash Flows

For the Half-year Ended 31 December 2022

	Note	31 December 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Dividends received		**88,195**
Interest received		**64,285**
Operating expenses		**(180,072)**
Proceeds from sale of investments		**7,034,184**
Acquisition of investments		**(3,667,695)**
Net cash provided by operating activities		**3,338,897**
CASH FLOWS FROM INVESTING ACTIVITIES:		-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issued shares		**8,399,318**
Net cash provided by financing activities		**8,399,318**
Net increase in cash and cash equivalents held		**11,738,215**
Cash and cash equivalents at end of financial year	6	**11,738,215**

Notes to the Financial Statements

For the Half-year Ended 31 December 2022

1 Basis of Preparation

The financial report covers H&G High Conviction Limited as an individual entity. H&G High Conviction Limited is a for profit Company limited by shares, incorporated and domiciled in Australia.

The principal activities of the Company for the half-year ended 31 December 2022 include the acquisition of an initial portfolio of cash and ASX listed securities and, subsequently, investment in ASX-listed microcapitalisation companies. Approximately 75% in value of the Company's initial investment portfolio was acquired from the H&G High Conviction Fund. The H&G High Conviction Fund was launched in November 2007 by the Manager (then named 'Supervised Investments Australia Limited').

This condensed interim financial report for the reporting period ending 31 December 2022 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The financial report does not contain information that represents relatively insignificant changes occurring during the year within H&G High Conviction Limited. This condensed financial report does not include all the notes normally included in an annual financial report.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of financial assets.

Significant accounting policies adopted in the preparation of these financial statements are presented below.

Accounting period

This is the first accounting period of the Company, being the period from 8 June 2022 (being the date of incorporation) until 31 December 2022. Accordingly, there are no comparatives disclosed.

2 Summary of Significant Accounting Policies

(a) Fair value gains on financial instruments at fair value through profit and loss and other income

Fair value gains on financial instruments at fair value through profit and loss

The Company has been classified under AASB 10 as an investment Entity whose business purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an investment Entity, the portfolio investments have been accounted for at fair value through profit and loss and shown as Financial Assets in the Statement of Financial Position.

Investments held at fair value through profit and loss are initially recognised at cost. Transaction costs related to acquisitions are expensed to profit and loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in the profit and loss. Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value - Level 1 in the fair value hierarchy. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability, The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(b) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in the statement of comprehensive income. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets and liabilities are recognised for differences between the purchase price and tax cost base of assets and liabilities acquired in asset swap arrangements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred income tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax 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 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. The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

(c) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included 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 operating cash flows.

(d) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade and other payables.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short term, highly liquid financial instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

3 Critical Accounting Estimates and Judgements

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

4 Fair value gains on financial instruments at fair value through profit and loss and Other Income

(a) Fair value gains on financial instruments at fair value through profit and loss

	31 December 2022 $
- Realised gain on disposal of investments	809,517
- Unrealised gains on revaluation of investments	586,278
	1,395,795

Material contribution to realised gain on disposal of investments includes sales of Proptech Group Limited (ASX: PTG).

Material contributions to unrealised gains on revaluation of investments include increased shares prices of Po Valley Energy (ASX: PVE) and Kiland (ASX: KIL).

(b) Other Income

	31 December 2022 $
Other Income	
- Dividends received	88,195
- Interest income	79,290
	167,485

5 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. For the current period diluted EPS is the same as basic EPS.

	31 December 2022 $
Profit after income tax attributable to the shareholders of H&G High Conviction Limited	**854,082**

The basic earnings per share for the reporting period were as follows:

	Cents
Basic and diluted earnings per share	**4.9**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**17,473,204**

6 Cash and Cash Equivalents

	31 December 2022 $
Cash at bank and in hand	**11,738,215**
	11,738,215

7 Trade and Other Receivables

	31 December 2022 $
CURRENT	
Option trading fees	**11,851**
GST Receivable	**16,335**
	28,186

8 Financial assets held at fair value through profit and loss

	31 December 2022 $
CURRENT	
Investment in listed entities	**12,174,581**
	12,174,581

Fair value hierarchy

Level 1 (Fair value measurement using Quoted prices in active markets)	**12,174,581**
Level 2 (Significant observable inputs)	**-**
Level 3 (Significant unobservable inputs)	**-**
	12,174,581

There were no transfers between levels during the financial half-year.

Level 1 instruments comprise securities quoted on the ASX where values are based on quoted market prices.

Level 2 instruments comprise securities yet to be quoted on the ASX where values are determined based on significant observable inputs.

Level 3 instruments include certain private equity type investments of which valuations are not based on market inputs or securities valued using models and internal data. Investments may be adjusted to reflect illiquidity.

Investments are currently held at fair value via a mark to market valuation approach**.**

As per AASB13, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3)

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value of all assets held - Level 1 in the fair value hierarchy. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability.

9 Other Assets

	31 December 2022 $
Prepayments	**44,401**

10 Trade and Other Payables

	31 December 2022 $
Trade payables	**771**
Accrued expenses	**62,888**
Other payables	**218,320**
	281,979

The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

11 Issued Capital

	31 December 2022 $
Shares issued at Company inception	16,226,333
Shares issued in IPO	5,200,000
Ordinary shares Closing Balance	21,426,333

	31 December 2022 No. of shares
Shares issued at Company inception	16,768,037
Shares issued in IPO	5,290,467
Ordinary shares Closing Balance	22,058,304

Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

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

12 Dividends

There were no dividends paid, recommended or declared during the current financial period. Subsequent to the period end, the directors declared an unfranked dividend of 2 cents per share payable on 24 March 2023.

No LIC capital gain was included in the above dividends.

13 Dividend Franking Account

The Company has a franking account balance of $37,798 generated from franking credits received from portfolio company dividends.

14 Key Management Personnel Remuneration

The remuneration paid to key management personnel of H&G High Conviction Limited during the year is as follows:

In accordance with the Constitution, the Directors as a whole (other than any Executive Directors) may be provided with remuneration for their services the total amount of which must not exceed the maximum amount determined from time to time by the Company in general meeting.

The Company's non-executive Directors are entitled to, at present, aggregate director fees up to $125,000 per annum. As at the date of this report, the Company has agreed to pay David Groves the amount of $40,000 for the first year (inclusive of superannuation) as reasonable remuneration of services to be provided.

Additional remuneration may be paid in accordance with the Constitution, which permits the Board to remunerate Directors for any special or extra services for or at the request of the Company (for example, executive tasks outside the scope of the Management Agreement). The Board will only exercise its discretion after compliance with applicable laws relating to directors duties and the provision of financial benefits to related parties and, where appropriate, conflict management protocols.

15 Risk Management

The Company's corporate governance policies, including the Board Charter, Code of Conduct and Securities Trading Policy, contain provisions for conflict risk management. The independent Chairman has oversight of the implementation of these policies.

In addition, if an actual or real risk of conflict arises, the Company will also adopt and implement specific conflict risk management protocols. For example, if a Director is also a director of a Portfolio Company (or another ASX listed company), the protocols would include establishing information barriers to restrict the flow of confidential information by prohibiting the conflicted person from sharing with the Portfolio Company information regarding the Company which is not generally available (and vice versa), excluding the conflicted person from participating in decisions of the Manager or the Company involving the Portfolio Company (including attendance at Board meetings) and, if these measures are inadequate, requiring the conflicted person to avoid their conflict entirely (e.g. by resigning as a director of the Portfolio Company or the Company).

16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2022 (30 June 2022: None).

17 Related Parties

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Hancock & Gore Limited (ASX: HNG), which wholly owns the Investment Manager of the Company (H&G Investment Management Limited), was the Company’s sole shareholder during the period from its incorporation on 8 June 2022 until 23 June 2022.

On 23 June 2022, the Company entered into separate Asset Swap Deeds with Alexander Beard (the Executive Chairman of Hancock & Gore Limited and Executive Director of the Manager) totalling $750,000; Hancock & Gore Limited, an entity controlled by Alexander Beard, totalling $370,000; and the unitholders of the H&G High Conviction Fund, which included Joseph Constable, totalling $12,106,332. The Company's Directors consider that the terms of these arrangements would be reasonable in the circumstances if the parties were dealing on arm’s length terms.

On 12 July 2022, the Company entered into an Investment Management Agreement (**IMA**) with H&G Investment Management Limited (**the Manager**) for an initial term of 10 years, which will be automatically extended for successive five year periods unless terminated earlier in accordance with the management agreement.

In its capacity as Investment Manager, The Manager is entitled to be paid a management fee equal to 1.0% (plus GST) per annum of the value of the Company’s Gross Portfolio Value, which is calculated on the last Business Day of each calendar month and paid monthly in arrears within five business days of the end of each calendar month. Gross Portfolio Value means, on any given date, the net asset value of the Company excluding any Performance Fee or Tax liabilities. Management fees paid and payable to the Manager for the period to 31 December 2022 total $110,552.

In addition, the Manager is entitled to be paid a performance fee equal to 20.0% (plus GST) of the amount by which the return of the Company exceeds a hurdle return of 5.0% per annum. The return of the Company means an amount expressed in dollars which is equal to the accumulated profit before tax of the Company since the Highwater Mark Date. The Highwater Mark Date means the end of the last period where a Performance Fee has been paid. Any Performance Fee accrues on the Performance Testing Date, which is each 31 December and each 30 June, and is payable within five business days. Performance fee payable to the Manager for the period to 31 December 2022 totals $181,974.

Each Director has entered into a deed of access, indemnity and insurance with the Company.

Joseph Constable is also an executive director of Hancock & Gore and the Manager, and has a relevant interest in

425,872 shares in Hancock & Gore. Joseph is also eligible to receive a short term incentive, long term incentive, and Hancock & Gore performance rights, which will be subject to various performance hurdles based on the performance of Hancock & Gore. By virtue of these interests, Joseph Constable may indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement.

Joseph Constable is also currently a Director of Po Valley Energy Limited (ASX: PVE), which is a material Portfolio Company.

David Groves has a relevant interest in 378,077 shares in Hancock & Gore. By virtue of this interest, David Groves may indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. David Groves does not control Hancock & Gore or the Manager.

Nicholas Atkinson is also an executive of Hancock & Gore, an executive director of the Manager, and has a relevant interest in 5,250,000 shares in Hancock & Gore. Nick is eligible to receive short term incentive, long term incentive and Hancock & Gore performance rights, which will be subject to various performance hurdles based on the performance of Hancock & Gore. By virtue of this interest, Nicholas Atkinson may also indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. Nicholas Atkinson does not control Hancock & Gore or the Manager.

18 Events Occurring After the Reporting Date

The financial report was authorised for issue on 27 February 2023 by the board of directors.

The directors declared an interim unfranked dividend of 2 cents per share payable on 24 March 2023.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

19 Statutory Information

The registered office and principal place of business of the company is:
H&G High Conviction Limited
Suite 803, Level 8
25 Bligh Street
Sydney NSW 2000

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

    (b) give a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director David Groves

Director

Dated 27 February 2023

Level 11 | 1 York Street | Sydney | NSW | 2000
GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of H&G High Conviction Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of H&G High Conviction Limited ("the Company"), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes, and the directors' declaration of the entity.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of H&G High Conviction Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

UHY Haines Norton

Mark Nicholaeff

Partner

Sydney

Dated: 27 February 2023

UHY Haines Norton

Chartered Accountants