H&G
HIGH CONVICTION

24 August 2023

Appendix 4E
Preliminary Final Report

Results for announcement to the market

For the 13 month period ended 30 June 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET	Current Period $'000	Previous Period $'000
Income from ordinary activities	3,181	N/A
Profit from ordinary activities after tax attributable to members	1,720	N/A
Net profit for the period attributable to members	1,720	N/A
	cents per share	cents per share
Earnings per share, basic and diluted (cents per share)	8.6	N/A
Net tangible asset backing per share (NTA) as at	**30 June 2023** $	**30 June 2022** $
Post-tax net tangible assets per share	1.030	N/A
Pre-tax net tangible assets per share	1.086	N/A

DIVIDENDS

Final fully franked ordinary dividend of 2 cents per share has been declared by the board.

Ex date:	25 September 2023
Record date:	26 September 2023
Payment date:	6 October 2023

Refer to the Investment Manager's Report for commentary and explanation of the results. This report is based on the Annual Report which has been audited by UHY Haines Norton. The audit report is included with the Company's Annual Report which accompanies this Appendix 4E. All documents comprise the information required by listing rule 4.3A.

H&G HIGH CONVICTION

Annual Report

2023

H&G High Conviction Limited ACN: 660 009 165

"The intelligent investor is a realist who sells to optimists and buys from pessimists"

– Benjamin Graham
(Warren Buffet's mentor)

Contents

Corporate Governance Statement
Our Corporate Governance Statement is available on the company website at www.hancockandgore.com.au/hcf-governance and is lodged with ASX with this report.

Letter from the Chairman

Dear fellow shareholders,

I am pleased to present the 30 June 2023 Annual Report for H&G High Conviction Limited (ASX: HCF, “the company”).

For the 13 months to 30 June 2023, HCF reported a profit after tax of $1.72m. In light of this strong result and in line with HCF’s dividend policy to pay out all dividends received and a proportion of realised profits, the board has declared a final fully franked dividend of 2 cents per share, payable on 6 October 2023 to shareholders on the register as of 26 September 2023. This brings total dividends declared for the 2023 financial year to 4 cents per share.

Our balance sheet is particularly strong; total equity is 92% of total assets and there is no debt. As at 30 June 2023, HCF held cash and equivalents of $5.9m. For more details on the various micro-cap positions we are invested in, I refer you to the Investment Manager’s Report in the following pages.

During the year, HCF raised $5.2m at $0.98 per share and listed on the ASX in October 2022. In March of 2023, the company raised $380,000 at $1.059 per share via an asset swap transaction to acquire 20 million Connexion Telematics Limited (ASX: CXZ) shares and, in May of 2023, a further $2.75m was raised in a placement at $1.04 per share.

The outlook for interest rates, inflation and global geo-politics remains uncertain but HCF is well-positioned to take advantage of mis-pricing opportunities that our Investment Manager continues to search for.

The company and our Investment Manager, H&G Investment Management Limited (a wholly owned subsidiary of Hancock & Gore Limited (ASX: HNG)), remain focused on providing shareholders with exposure to a concentrated portfolio of investments in ASX-listed micro-capitalisation companies (market capitalisation under $300m at the time of initial investment).

I will close by thanking our shareholders for their continued support and our Investment Manager for its continued commitment. I look forward to seeing you at our Annual General Meeting.

David Groves
Chairman

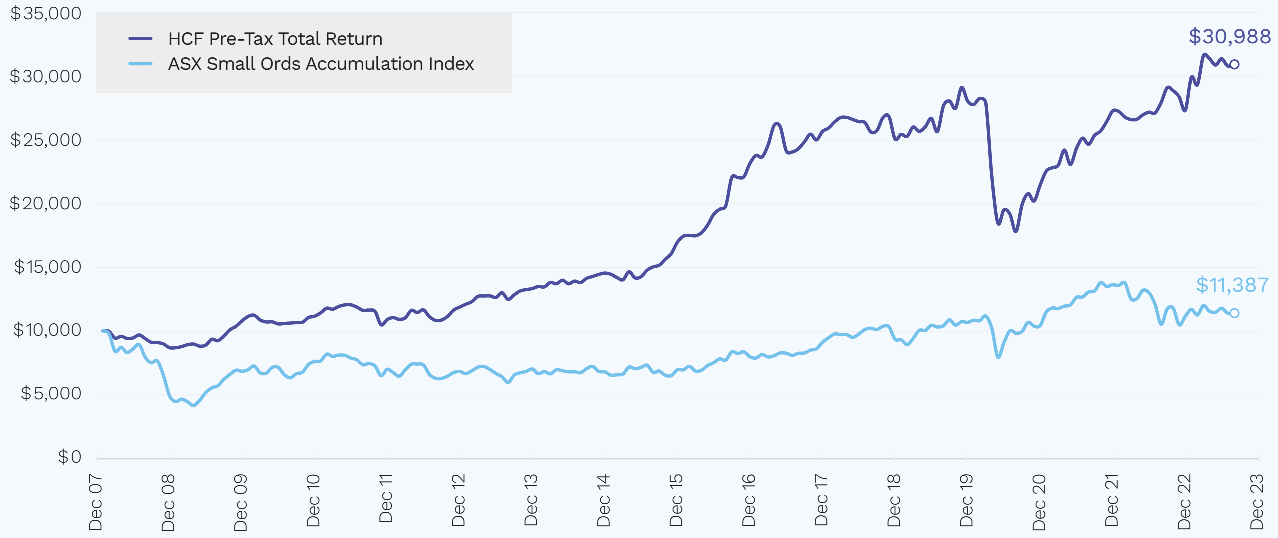
H&G High Conviction Limited.
24 August 2023

Investment Manager's Report

Highlights during the year:

- Listed on the ASX in October 2022 following successful IPO
- Deployed raised funds into existing holdings and new microcap companies following dramatic pullback in market prices
- Became substantial shareholders in three new investments
- Pre-tax NTA & dividends return since IPO of 11.5% after all fees
- Paid an interim dividend of $0.02 per share in March 2023; and declared a final dividend of $0.02 per share payable in October 2023
- Pre-tax NTA per share of $1.086 (after dividend) at 30 June 2023, compared to listing price of $0.983

Value of $10,000 invested since inception as at 30 June 2023



Performance data is after all fees and includes the original vehicle, H&G High Conviction Fund, launched in November 2007, until 23 June 2022, and the performance of H&G High Conviction Limited since 23 June 2022. Performance of H&G High Conviction Limited is calculated monthly as profit before taxation divided by opening net assets (adjusted for capital movements and dividends during the month, if any). Past performance is no guarantee of future returns.

CHALLENGES BRING OPPORTUNITIES

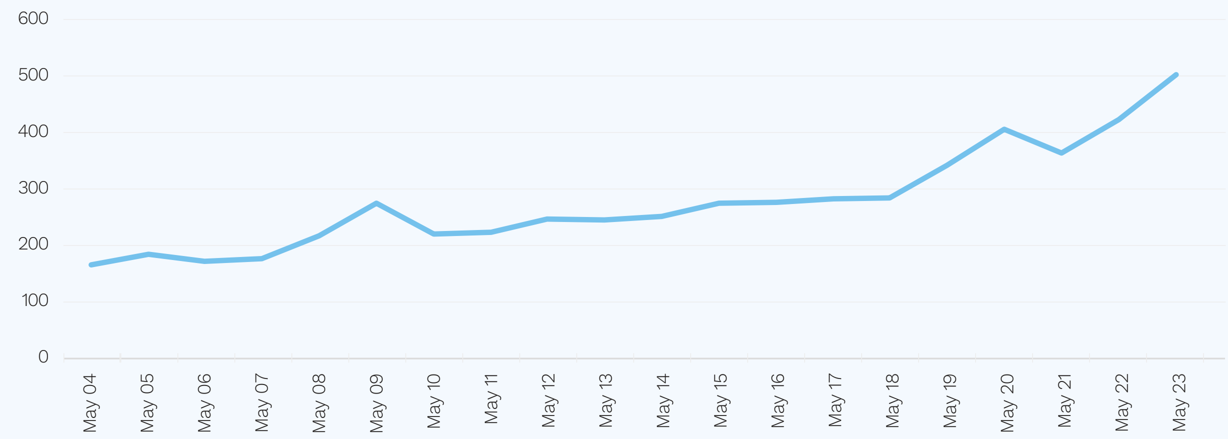
FY23 was a challenging and exciting year for investors in ASX-listed microcaps. Markets were erratic and participants continued the FY22 trend of fleeing from illiquid to "blue-chip" companies.

This has presented a sustained level of opportunities in microcaps unseen for some years and a fertile ground for our investing strategy.

This is best depicted by a chart we released earlier in the year, which is included below.

Despite this wider uncertainty HCF ended the financial year with a positive performance, has raised and deployed substantial capital, and thanks to some early wins has firepower with which to pursue further compelling investments.

Number of ASX-listed companies with market capitalisation less than $200m and revenue greater than $5m p.a.



Source: Refinitiv/H&G Investment Management

With limited buying interest and numerous sellers in microcap companies, valuations in our universe have fallen significantly below long-term averages. In this context, we were delighted to raise $8.3m in cash during our IPO in October 2022 and subsequent placement in May 2023. Proceeds from these share issuances were invested in ASX-listed microcap companies at a favorable time in the market cycle.

Following the profitable realisation of some holdings, we ended FY23 with $5.9m in cash and equivalents, which we intend to invest in exciting opportunities in the coming period.

HCF'S INVESTMENT PHILOSOPHY

H&G High Conviction Limited (HCF) invests in a concentrated portfolio of ASX-listed microcap companies over a multi-year timeframe.

Microcaps are a niche segment of the market, overlooked by most institutions due to size. This means there can exist inefficiencies in securities prices and opportunities to buy stakes in businesses at attractive valuations.

By focusing on paying low prices relative to inherent value and striving to gain an informational edge through intensive research, the Investment Manager aims to enhance long-term returns and limit downside risk.

As a key differentiator, the Investment Manager, supported by the wider team at Hancock & Gore Limited, actively engages with investee companies. This is crucial for microcaps, where success is heavily reliant on a small group of key people.

The Investment Manager implements this strategic approach where necessary to help unlock the full value of management teams and core assets.

HCF's primary goals are to generate long-term double-digit per annum returns while minimising capital loss.

THE SHAPE OF OUR PORTFOLIO

Major changes to our portfolio during the year include significant investments in Eildon Capital, Kinatico and Connexion Telematics, as well as the sale of Proptech Group shares following the company's receipt of a takeover bid, and disposal of shares in Bisalloy Steel Group and Hillgrove Resources after both companies reached our target prices.

During FY23, our portfolio of companies produced a pre-tax return after all fees of 10.7%, a moderate outperformance of 2.2% against the ASX Small Ordinaries Accumulation Index.

The three major contributors to this performance were Kiland, Proptech Group and Po Valley Energy.

It is encouraging that three out of our top four holdings at the beginning of the financial year provided meaningful returns.

Our fourth, Centrepoint Alliance, had a slightly negative contribution, hampered by a lack of traction in its pursuit of consolidation in the financial services sector, as discussed further below.

It is also encouraging that two high conviction positions acquired in the last six months, Kinatico and Connexion Telematics, contributed meaningfully to our return (fourth and fifth greatest contributions, respectively). We discuss below the factors that drove positive returns in Kiland and Po Valley Energy.

Top and bottom 3 contributors to performance in FY23

Code	Name	Weighted Contribution
KIL	Kiland Ltd	5.4%
PTG	Proptech Group	5.2%
PVE	Po Valley Energy Ltd	4.3%
AN1	Anagenics Limited	-1.0%
LDX	Lumos Diagnostics	-1.1%
CF1	Complii Fintech Ltd	-1.6%

As always, we seek to learn from our wins and losses, in order to maximize the conditions that lead to positive returns and minimise those that lead to negative returns.

In general, the best performing positions were those in which we had greatest conviction (and therefore, portfolio weighting), a meaningful shareholding, and were actively engaged with the board and management.

The worst performing positions tended to be absent those conditions (except for Centrepoint Alliance).

We will continue to work closely with the board and management of key investee companies to help realise full value for shareholders, and for underperforming holdings work constructively to affect positive change.

NEW STRATEGIC HOLDINGS IN FY23

Connexion Telematics Ltd

(ASX: CXZ)

CXZ generates USD recurring SaaS revenues by offering fleet management software to franchised dealerships participating in courtesy transportation programs (CTPs) for automakers (OEMs).

CTPs offer dealership customers replacement vehicles during services, providing OEMs a marketing opportunity & dealers higher utilisation of fleet cars.

Connexion's major customer is General Motors (GM), which comprises the bulk of revenues. GM has mandated the use of CXZ's software at all its 4,000 franchised dealerships in the US.

CXZ was a perennial underperformer until new management entered in 2020 and refocused operations on organic reinvestment of cash into development and expansion of existing and complementary products.

The company is a genuine SaaS revenue business trading at a low multiple of 3x EV to maintainable EBIT. In addition, there is considerable margin of safety due to an estimated 30% of its market capitalisation backed by cash. The MD is a conservative operator with capital allocation skills.

CXZ is generating significant free cashflow, which is being used to reinvest into the business and expand the company's software offering, in addition to buying back stock.

HCF owns 8.3% of Connexion.

Kinatico Ltd

(ASX: KYP)

Formerly CV Check Ltd, KYP operates a business model centered around various technological solutions designed to simplify and improve compliance, verification, and management processes within organisations.

This includes CVCheck, a transaction-based service that provides background screening and credential validation; Cited, a SaaS-based platform for end-to-end workforce compliance and management; the OnCite app, which offers compliance visibility and control to every worker; and Enable, a solution aimed at streamlining onboarding, verification, and mobilisation management for asset owners in sectors such as mining, oil, and gas.

The company is the largest provider of employee identity validation services in Australia with > 10,000 customers. Since 2021, new management has been embarking on a strategy of transforming this from one-off transactional to recurring revenue by marketing Kinatico's SaaS solution to CV Check's existing client base. Early signs are positive, with SaaS revenue at 3Q23 growing by 143% YoY to represent 21% of revenue.

New management is also undertaking software development to automate processes. This should enable a meaningful reduction in headcount that should lead to an attractive steady state valuation in the coming years.

There is considerable margin of safety due to 22% of KYP's market capitalisation being backed by cash. The company is presently buying back its own stock.

HCF owns 6.7% of Kinatico.

UPDATE ON LARGEST PORTFOLIO HOLDINGS

Po Valley Energy (PVE) shares increased by 43% during an eventful year, which included a capital raise, construction of a gas plant and connections at onshore field, Selva, and securing all regulatory approvals to commence gas production.

This occurred in early July, a significant milestone for PVE, which now progresses from a natural gas explorer into a cash-generating producer. We are proud to have been actively engaged shareholders, with board representation, during this seminal period in Po Valley's history.

Kiland (KIL) shares increased by 54% in FY23. During the period, Kiland advanced the redevelopment of its 14,500 hectares of fire-damaged tree plantations into agricultural land.

It also progressed its carbon removal biochar project, including raising external capital in a new subsidiary (Nobrac). Throughout the year, KIL purchased on market a meaningful amount of its shares.

Centrepoint Alliance (CAF) returned -10% during the year net of dividends. CAF continued to generate strong cashflow from its core business of providing services to financial advisers, with earnings in line with expectations. Nevertheless, disappointingly, the share price fell by 20% over the year on low volume to 22.5c.

The non-binding indicative offer made by Diverger in June 2022 to acquire all Centrepoint Alliance shares at 32.5c per share was rebuffed by the CAF board and no subsequent corporate activity occurred throughout the year.

We maintain our belief that CAF shares are undervalued given the company's low earnings multiple, strategic appeal, and position to pursue industry consolidation.

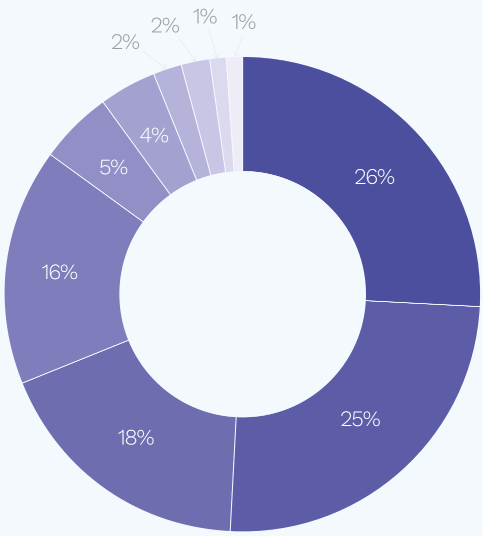
Pre-tax performance, 30 June 2023

	3 months	12 months	2 years p.a.	3 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
HCF total return, net of fees	0.1%	10.7%	12.0%	20.2%	6.6%	9.5%	7.5%
ASX Small Ords Accumulation Index	-0.5%	8.4%	-6.6%	5.2%	5.8%	6.8%	0.8%
Outperformance	**0.7%**	**2.2%**	**18.6%**	**15.1%**	**0.7%**	**2.7%**	**6.7%**

Performance data is after all fees and includes the original vehicle, H&G High Conviction Fund, launched in November 2007, until 23 June 2022, and the performance of H&G High Conviction Limited since 23 June 2022. Performance of H&G High Conviction Limited is calculated monthly as profit before taxation divided by opening net assets (adjusted for capital movements and dividends paid during the month, if any). Past performance is no guarantee of future returns.

Exposures as % of equities at 30 June 2023

Real Estate/Land	26%
Information Technology	25%
Financials	18%
Energy	16%
Industrials	5%
Consumer Staples	4%
Agriculture	2%
Materials	2%
Communication Services	1%
Utilities	1%



OUTLOOK

We believe our current investments have significant latent value, with our weighted average target price per company demonstrating 113% upside across the portfolio.

For each investment, there are a series of identified catalysts that should help bridge the gap between current market prices and our targets.

Accordingly, we expect future returns to be event-driven and encourage shareholders to look beyond any month or quarter given our multi-year investment horizon.

As evident in the following table, the balance sheets of our investee companies are robust, with limited debt, strong cash positions, and no immediate need for dilutive capital.

This is especially important in the current climate, as the era of cheap money has been replaced with higher costs of capital.

Balance sheet strength of top 8 holdings, 30 June 2023

Company name	Shareholders' equity divided by total assets	Net cash & liquid investments divided by market capitalisation
Kiland Ltd	94%	28%
Po Valley Energy Ltd	85%	2%
Eildon Capital Ltd	88%	34%
Kinatico Ltd	73%	24%
Centrepoint Alliance Ltd	72%	35%
Connexion Telematics Ltd	90%	30%
Cirrus Networks Holdings Ltd	63%	47%
Clearview Wealth Ltd	82%	122%
Anagenics Ltd	79%	37%
Ensurance Ltd	73%	44%

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."

– Mark Twain

We don't make predictions about the future of markets but strive to seize compelling investment opportunities when they arise.

Within the ASX-listed microcap segment, there is considerable fear and a lack of investor appetite. By way of example, according to data from Thomson Reuters, by the end of FY23 there were 59 ASX-listed companies with a market capitalisation of less than $300m trading at a discount to their cash backing. Two years ago, this was 24.

This negative sentiment is understandable given the difficulties facing the global economy after a material increase in interest rates and tightening of credit.

Nevertheless, given our bottom-up focus on individual stocks, we can selectively pick companies that have been undiscerningly caught up in the fear but in our estimation can continue to thrive due to strong balance sheets and valuable assets or businesses.

We are finding discounts to intrinsic value and intend to invest our cash in such opportunities in the coming months while remaining disciplined in only seeking enterprises that have identifiable catalysts to drive shareholder returns. We aim to spend the remainder of the calendar year investing our cash and increasing the concentration of our portfolio.

Directors' Report

The directors submit the financial report of the Company for the 13 month period ended 30 June 2023.

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 annual 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 is to focus on a concentrated portfolio of 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's primary goals are to generate long-term double-digit per annum returns while minimising capital loss.

In March of 2023, the company raised $380,000 at $1.059 per share via an asset swap transaction to acquire 20m Connexion Telematics Limited (ASX: CXZ) shares and, in May of 2023, a further $2.75m was raised in a placement at $1.04 per share. For the period ended 30 June 2023, HCF made a net profit after tax of $1,720,347. Basic and diluted earnings per share after tax was 8.6 cents. The main drivers of this were a $911,460 realised gain on investments and $1,844,085 unrealised gain on investments, offset by operating costs of $795,080. The major contributor to the $911,460 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 $1,844,085 unrealised gain were Kiland Limited (ASX: KIL) and Po Valley Energy Limited (ASX: PVE), which increased in share price by 54% and 43% respectively over the period.

HCF's Net Tangible Asset (**NTA**) backing per share, as at 30 June 2023, was as follows:

- NTA per share after all taxes – $1.030
- NTA per share before deferred tax on unrealised gains – $1.086

HCF ended the period with $1,405,568 in cash and $4,535,468 in a cash equivalent ETF.

DIVIDENDS

A final fully franked dividend of 2 cents per share has been declared by the board and will be paid on 6 October 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.

OUTLOOK

Please refer to the Investment Manager's Report for commentary on the outlook.

BOARD OF DIRECTORS AND COMPANY SECRETARY

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 (appointed 26 August 2022)

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 Pengana Capital Group Limited (ASX: PCG) and is a Non-Executive Director of Pengana International Equities Limited (ASX: PIA) and Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group. David is also a member of the Audit and Risk Committee for Pengana Capital Group Limited and Pengana International Equities Limited. He is 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 (appointed 8 June 2022)

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 (appointed 8 June 2022)

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).

Sandy Beard

Executive Chairman (from 8 June to 18 July 2022)

Experience: Sandy has been Chair of Hancock & Gore since 29 October 2020. He 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) (between 2000-2019) where he oversaw annual shareholder returns in excess of 15% per annum. He has extensive experience with investee businesses, including providing advice, assisting in acquisitions, divestments and capital raisings, and in direct management roles, especially bringing management expertise to small-cap companies and driving shareholder returns.

Sandy is currently chair of Hancock & Gore (ASX: HNG), FOS Capital (ASX: FOS) and Anagenic (ASX: AN1), and a director of Centrepoint Alliance (ASX: CAF).

John Read

Non-Executive Chairman (from 18 July to 26 August 2022)

Qualifications: John is a Fellow of the Australian Institute of Company Directors and holds a Master of Business Administration (MBA) and a Bachelor of Science (Honours).

Experience: John is an experienced Chairman and Director in public, private and government organizations. Through his extensive career of over 30 years in venture capital, private equity and commercialization, he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. John was previously the Chairman of Patrys Limited (ASX: PAB) from 2007 to 2022. He was previously also on the Board as director or Chair of CVC Limited (ASX: CVC) from 1989 to 2020, Eildon Capital Limited (ASX: EDC) from 2013 to 2016, Pro-Pac Packaging Limited (ASX: PPG) from 2005 to 2010, The Environmental Group Limited (ASX: EGL) from 2001 to 2012 and The Central Coast Water Corporation from 2011 to 2014.

Max Crowley

Company Secretary (appointed 19 May 2023)

Max is an experienced corporate lawyer and company secretary is ASX listings, employee equity schemes, capital raisings and providing advice on corporate governance and compliance issues. Max is a member of Automic. group's Company Secretary team which provides company secretary services to a number of ASX listed and unlisted public companies across a range of industries.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of HCF during the financial year are shown below.

Directors Meetings

Director	Meetings Held	Meetings Attended
David Groves*	10	10
Nicholas Atkinson	16	16
Joseph Constable	16	16
Sandy Beard*	3	3
John Read*	3	3

* Sandy Beard and John Read resigned as directors in July 2022 and August 2022 respectively and David Groves was appointed as a director in August 2022.

DIRECTORS' RELEVANT INTERESTS

No director has or has had any interest in a contract entered into since the last Directors' Report or any contract or proposed contract with HCF or any subsidiary or any related entity other than as disclosed in note 19 to the financial statements.

Director	Number of Shares Held
David Groves	48,835
Nicholas Atkinson	75,869
Joseph Constable	89,890

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

Neither HCF nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the *Corporations Act 2001* during or since the financial year ended 30 June 2023.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contracts.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of HCF during the past financial year other than as disclosed in the financial statements.

EVENTS SUBSEQUENT TO REPORTING DATE

Apart from the information contained in note 22 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of HCF in subsequent financial years.

LIKELY DEVELOPMENTS

HCF will continue its investment activities consistent with its objective of generating long-term double-digit per annum returns while minimising capital loss.

The performance of HCF is subject to and influenced by many external factors and therefore it is not appropriate to predict the future results of the investments and HCF's performance.

ENVIRONMENTAL REGULATIONS

There are no significant environmental regulations that apply directly to HCF.

NON-AUDIT SERVICES

During the year, UHY Haines Norton, HCF's auditor, has performed certain non-audit services in addition to its statutory duties. Details of the amounts paid to the auditors and related practices of the auditor are disclosed in note 20 to the financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by HCF and have been reviewed and approved by the Board of Directors to ensure they do not impact on the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *APES110 Code of Ethics for Professional Accountants (including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for HCF, acting as an advocate for HCF or jointly sharing risks and rewards.

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 14.

Remuneration Report

This report, which is audited, details the policy for determining the remuneration of directors and executives and provides specific details of their remuneration.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-executive directors are paid base fees and superannuation contributions.

Fees are not linked to HCF's performance, and no bonuses are paid, or options issued.

Each year the base fees and committee fees are determined by the board of directors who take into account the demands made on directors and the remuneration of non-executive directors of comparable Australian companies.

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 a general meeting.

The Company's non-executive Directors are entitled to, at present, aggregate director fees up to $125,000 per annum. During the year ended 30 June 2023, David Groves (Non-Executive Chairman) was paid directors fees totalling $33,978 (inclusive of superannuation).

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.

DIRECTOR RELATED ENTITIES REMUNERATION

HCF has an investment management agreement with H&G Investment Management Limited (HGIM) which has been appointed to manage the investment portfolio of HCF. Joseph Constable and Nicholas Atkinson who are executive directors of HCF are also executive directors of the investment management entity HGIM.

The Manager, HGIM 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 30 June 2023 total $244,773.

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 fees paid and payable to the Manager for the period to 30 June 2023 totals $336,883.

REMUNERATION OF EXECUTIVES

There are no executives that are paid by the Company. All day-to-day management of the Company is caried out by H&G Investment Management Limited (HGIM) and is remunerated as per the investment management agreement outlined above.

SHARE HOLDINGS OF DIRECTORS AND THEIR RELATED PARTIES

Number of shares held

Directors	**Year**	**Opening Balance** Shares	**Acquisitions** Shares	**Disposals** Shares	**Closing Balance** Shares
Constable, Joseph	2023	–	89,890	–	89,890
Atkinson, Nicholas	2023	–	75,869	–	75,869
Groves, David	2023	–	48,835	–	48,835
Beard, Sandy	2023	–	792,073	–	792,073
Read, John	2023	–	159,940	–	159,940

End of Audited Remuneration Report.

Signed in accordance with a resolution of the directors.

David Groves

Chairman

UHY Haines Norton
Chartered Accountants

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Auditors' 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 audit for the year ended 30 June 2023, there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

Mark Nicholaeff	UHY Haines Norton
Partner	**Chartered Accountants**

Sydney
Dated: 24 August 2023

Financial Statements

For the 13 month period ended 30 June 2023

Statement of Profit or Loss and Other Comprehensive Income

For the 13 month period ended 30 June 2023

	Note	30 June 2023 $
Dividends Received		206,868
Fair value gains on financial instruments at fair value through profit and loss	4	2,755,545
Other income	4	218,796
Income from Ordinary Activities		3,181,209
Performance fees expense		(336,883)
Management expense		(244,773)
Professional fees expense		(17,981)
Employee benefits expense		(33,978)
Other expenses		(161,465)
Profit before income tax		2,386,129
Income tax expense	5	(665,782)
Profit after income tax for the period		1,720,347
Other comprehensive income		–
Total comprehensive income for the period		1,720,347

	Note	30 June 2023 Cents
Earnings per share for profit attributable to the shareholders of H&G High Conviction Limited		
Basic and diluted earnings per share	6	8.6

Statement of Financial Position

As at 30 June 2023

	Note	30 June 2023 $
Assets		
CURRENT ASSETS		
Cash and cash equivalents	7	5,941,036
Trade and other receivables	8	59,125
Financial assets held at fair value through profit and loss	9	21,890,683
Other assets	10	18,235
Total current assets		27,909,079
NON CURRENT ASSETS		
Deferred tax asset	11	26,327
Total non current assets		26,327
Total assets		27,935,406
Liabilities		
CURRENT LIABILITIES		
Trade and other payables	13	341,750
Income tax payable	5	350,897
Total current liabilities		692,647
NON CURRENT LIABILITIES		
Deferred tax liability	12	1,429,825
Total non current liabilities		1,429,825
Total liabilities		2,122,472
Net assets		25,812,934
Equity		
Issued capital	14	24,540,935
Retained earnings		1,271,999
Total equity		25,812,934

Statement of Changes in Equity

For the 13 month period ended 30 June 2023

	Issued Capital $	Retained Earnings $	Total Equity $
Balance on incorporation			
Profit	–	1,720,347	1,720,347
Other comprehensive income	–	–	–
Total comprehensive income	–	1,720,347	1,720,347
Shares issued at inception	16,226,333	–	16,226,333
Shares issued in IPO	5,200,000	–	5,200,000
Subsequent Share Issues	3,114,602	–	3,114,602
Dividends Paid	–	(448,348)	(448,348)
Balance at 30 June 2023	24,540,935	1,271,999	25,812,934

Statement of Cash Flows

For the 13 month period ended 30 June 2023

	Note	30 June 2023 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received		206,868
Interest received		205,426
Other revenue		12,679
Management fees		(218,851)
Performance fees		(181,974)
Income tax paid		(5,646)
Other operating expenses		(111,630)
Net cash used in operating activities	21	(93,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(14,863,359)
Sale of investments		10,211,950
Net cash used in investing activities		(4,651,409)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issued shares		11,133,921
Ordinary dividends paid		(448,348)
Net cash provided by financing activities		10,685,573
Net increase in cash and cash equivalents held		5,941,036
Cash and cash equivalents at end of financial year	7	5,941,036

Notes to the Financial Statements

For the 13 month period ended 30 June 2023

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 13 month period ended 30 June 2023 include the acquisition of an initial portfolio of cash and ASX listed securities and, subsequently, investment in ASX-listed micro-capitalisation 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').

These financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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.

New and amended standards adopted:

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

New and amended standards not adopted:

New standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 Jan 2023 have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of HCF.

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 30 June 2023. 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.

Financial assets are de-recognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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. 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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 payables 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.

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.

(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

	30 June 2023 $
Realised gain on disposal of investments	911,460
Unrealised gains on revaluation of investments	1,844,085
	2,755,545

(b) Other revenue

	30 June 2023 $
Interest income	206,117
Other Revenue	12,679
	218,796

5 INCOME TAX EXPENSE

	30 June 2023 $
Current income tax payable	350,897
Other differences	6,338
Deferred tax – origination and reversal of temporary differences	308,547
Aggregate income tax expense	665,782
Deferred tax included in income tax expense comprises:	
(Increase) in deferred tax assets (note 11)	(26,327)
Increase in deferred tax liabilities (note 12)	334,874
Deferred tax – origination and reversal of temporary differences	308,547
Numerical reconciliation of income tax expense and tax at the statutory rate	
Profit before income tax expense	2,386,129
Tax at the statutory tax rate of 30%	715,839
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	
Tax offset for franked dividends	(50,057)
Adjustment recognised for prior periods	–
Income tax expense	665,782
Effective Tax Rate	27.90%

6 EARNINGS PER SHARE (EPS)

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

	30 June 2023 $
Profit after income tax attributable to the shareholders of H&G High Conviction Limited	1,720,347

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

	Cents
Basic and diluted earnings per share	8.6
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	20,085,414

7 CASH AND CASH EQUIVALENTS

	30 June 2023 $
Cash at bank and in hand	1,405,568
Cash equivalent ETF	4,535,468
	5,941,036

8 TRADE AND OTHER RECEIVABLES

	30 June 2023 $
CURRENT	
Account Receivable	40,012
Prepayments	19,063
Other Receivable	50
	59,125

9 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 June 2023 $
CURRENT	
Investment in listed entities	21,890,683
	21,890,683

Fair value hierarchy	
Level 1 (Fair value measurement using Quoted prices in active markets)	21,890,683
Level 2 (Significant observable inputs)	–
Level 3 (Significant unobservable inputs)	–
	21,890,683

There were no transfers between levels during the reporting period.

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.

10 OTHER ASSETS

	30 June 2023 $
Options	18,235

The Investment Manager has allocated a minimal amount of capital to downside protection in the form of index futures options. This is a form of insurance against a large market downturn and is not considered a core portfolio investment. The total potential loss is limited to the amount of capital invested (the options premium).

11 DEFERRED TAX ASSETS

	30 June 2023 $
Deferred tax asset comprises temporary differences attributable to:	
Amounts recognised in profit or loss:	
Accruals	20,681
Amounts recognised in equity:	
Transaction costs on share issue	5,646
Deferred tax asset	26,327
Movements:	
Opening balance	–
Credited to profit or loss	20,681
Credited to equity	5,646
Closing balance	26,327

12 DEFERRED TAX LIABILITIES

	30 June 2023 $
Deferred tax liability comprises temporary differences attributable to:	
Amounts recognised in profit or loss:	
Revaluation of investment at fair value through profit or loss	334,875
Deferred tax recognised at inception	1,094,950
Deferred tax liability	1,429,825
Movements:	
Opening balance	–
Charged to profit or loss	334,875
Additions through business combinations	1,094.950
Closing balance	1,429,825

13 TRADE AND OTHER PAYABLES

	30 June 2023 $
Trade payables	113,062
Accrued expenses	72,701
Performance Fees payable	154,909
Other payables	1,078
	341,750

14 ISSUED CAPITAL

	30 June 2023 $	30 June 2023 Shares
Ordinary shares issued at Company inception	16,226,333	16,768,037
Shares issued in IPO	5,200,000	5,290,467
Subsequent share issues	3,114,602	3,000,924
Ordinary fully paid ordinary shares closing balance	24,540,935	25,059,428

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.

In June 2022, the Company issued 16,768,037 fully paid ordinary shares valued at $16,226,333 in consideration for cash and equity portfolio.

On 25 October 2022, HCF issued 5,290,467 fully paid ordinary shares and raised $5,200,000 through its initial public offering at an issue price of $0.9829 per share.

On 7 March 2023, HCF issued 358,830 fully paid ordinary shares at an issue price of $1.059 per share totaling $380,000 as consideration for acquisition of 20 million shares in Connexion Telematics Limited (ASX:CXZ).

On 10 May 2023, HCF issued 2,642,094 fully paid ordinary shares at an issue price of $1.04 per share to sophisticated and professional investors and raised $2,734,602 net of acquisition costs.

All capital consists of fully paid ordinary shares which are listed on the ASX.

15 DIVIDENDS

a) Recognised in the current year

	2023 $
Interim ordinary unfranked dividend paid for the half year ended 31 December 2022 of 2 cents per share	448,348
	448,348

b) Not recognised in the current year

	2023 $
Since the end of the financial year, the directors have declared an ordinary final dividend in respect of the 2023 financial year of 2 cents per share payable on 6 October 2023	501,189
	501,189

No LIC capital gain was included in the above dividends.

16 DIVIDEND FRANKING ACCOUNT

	2023 $
Franking credits available for subsequent financial years based on a tax rate of 30%	422,406

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Franking credits available after paying the final fully franked dividend declared of 2 cents per share is $207,611.

17 RISK MANAGEMENT

Governance Risk

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).

Financial risk

The risks associated with the financial instruments, such as investments and cash, include credit, market and liquidity risks could affect HCF's future financial performance.

Credit risk exposures

HCF's principal credit risk exposures arise from the investment in liquid assets, such as cash, bank term deposits and income receivable.

The risk that financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk. The credit risk on HCF's financial assets, excluding investments, is the carrying amount of those assets.

Cash is invested for the short term with major Australian banks which have a Standards and Poor's short term rating of A2 and above, as well as the Australian High Interest Cash ETF (ASX: AAA).

There are no financial instruments overdue.

All financial assets and their recoverability are continually monitored by management.

Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument. The fair value of the quoted investments is determined by the unadjusted last sale price quoted on the Australian Securities Exchange at the measurement date.

HCF is exposed to market risk through the movement of the security prices of the companies and trusts in which it is invested.

The market value of individual companies fluctuates daily and the fair value of the portfolio changes continuously, with this change in the fair value recognised through the asset revaluation reserve.

HCF's management continuously monitors the performance of the companies within its portfolio and reports this to the Board at each Board Meeting.

HCF's Investments are quoted in Australian dollars and hence not materially exposed to foreign currency risks.

Due to HCF's strategy of investing in microcapitalisation companies, there is liquidity risk in our portfolio holdings. The following companies would take more than 30 days to sell on market when using the average daily volume over the last 90 days: CAF, ENA, KIL, KYP, PVE. We believe that no liquidity discount to the market value of our shareholdings is required given there are three strategies we have historically used for liquidity outside of selling on the market: (i) selling our shareholding in a block trade; (ii) selling our shares in a company buyback; (iii) selling our shares in a company takeover.

Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing level of market interest rates. The Company, however, is not materially exposed to interest rate risk as the majority of its cash and cash equivalents are immediately realisable. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

18 CONTINGENT LIABILITIES

In the opinion of the Directors, the Company did not have any contingent liabilities at 30 June 2023.

19 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 – HGIM), 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 HGIM) totaling $750,000; Hancock & Gore Limited, an entity controlled by Alexander Beard, totaling $370,000; and the unitholders of the H&G High Conviction Fund, which included Joseph Constable, totaling $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 30 June 2023 total $244,773.

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 paid and payable to the Manager for the period to 30 June 2023 amounted to $336,883.

Joseph Constable is also an executive director of Hancock & Gore and the Investment 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 Investment Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. Joseph Constable does not control Hancock & Gore or the Investment Manager.

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 Investment Manager.

Nicholas Atkinson is also an executive of Hancock & Gore, an executive director of the Investment Manager and has a relevant interest in 5,428,600 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 Investment Manager.

20 AUDITORS REMUNERATION

	2023 $
Auditors of the Company UHY Haines Norton:	
Audit or review of the financial statements	62,000
Related Practices of the Auditor:	
Other services – Tax Services	3,700
	65,700

UHY prepared the Investigating Accountants Report in relation to HCF's initial public offering which was paid for by the Investment Manager.

21 KEY MANAGEMENT PERSONNEL COMPENSATION

	30 June 2023 $
Short term employee benefits	30,750
Post employment benefits	3,228
	33,978

22 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	30 June 2023 $
Profit after income tax expense for the year	1,720,347
Adjustments for:	
Net gain on disposal of investments	(911,460)
Net gain on revaluation of investments	(1,844,085)
Deferred tax recognised at inception	(1,094,950)
Change in operating assets and liabilities:	
Increase in trade and other payables	341,750
Increase in deferred tax liabilities	1,429,825
(Increase) in deferred tax assets	(26,327)
(Increase) in receivables	(59,125)
Increase in tax liabilities	350,897
Net cash from operating activities	(93,128)

23 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 24 August 2023 by the board of directors.

The directors declared a final fully franked dividend of 2 cents per share payable on 6 October 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.

24 HOLDING AT FAIR VALUE THOUGH PROFIT AND LOSS AT 30 JUNE 2023

Investment in Equity Instruments	**Number of Shares**	**Market Value**
Adrad Holdings Limited	485,000	455,900
Anagenics Limited	48,129,542	818,202
Arn Media Limited	269,065	282,518
Centrepoint Alliance Limited	8,174,383	1,839,236
Cirrus Networks Holdings Limited	32,383,497	1,036,272
Clearview Wealth Limited	2,117,535	1,027,004
Complii Fintech Solutions Ltd	9,061,984	317,169
Connexion Telematics Ltd	81,122,546	1,622,451
Duxton Water Limited	110,472	187,250
Eildon Capital Group	2,500,765	2,288,200
Ensurance Ltd	3,575,871	715,174
Fos Capital Ltd	3,819,528	687,515
Global X Metal Securities Australia Limited	8,200	218,286
Kiland Ltd	1,712,618	3,425,236
Kinatico Ltd	22,682,927	2,268,293
Midway Limited	453,886	329,067
Pantoro Limited	4,546,015	327,313
Playside Studios Limited	653,265	235,175
Po Valley Energy Limited	48,815,048	3,563,499
Selfwealth Limited	1,702,919	246,923
TOTAL		**21,890,683**

Directors' Declaration

for the 13 month period ended 30 June 2023

1. In the opinion of the directors of H&G High Conviction Limited:

    (a) The financial statements and notes, as set out on pages 15 to 32 and the remuneration report as set out on pages 12 to 13 in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true view of the Company's financial position as at 30 June 2023 and of its performance for the 13 month period ended on that date;

    (ii) complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*;

    (iii) complying with International Accounting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements; and

    (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the executive director and chief financial officer of H&G Investment Management Limited, the Investment Manager, for the financial year ended 30 June 2023.

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

David Groves
Director

Nicholas Atkinson
Director

Dated: 24 August 2023

UHY Haines Norton
Chartered Accountants

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Independent Auditor's Report

To the Members of H&G High Conviction Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of H&G High Conviction Limited for the year-ended 30 June 2023, which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Company is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2023 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 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* (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
As an investment entity, HCF's investments in other entities are prescribed to be valued at fair value in accordance with AASB 9. The overwhelming majority of HCF's Net Asset Value (NAV) is held in listed investments, and the valuation of these investments is significant to the users of the financial statements owing to its materiality to the financial statements as a whole. We also note due to the concentration of investments in small to medium capitalisation shares, there is a heightened risk of illiquidity impacting the valuation of investments.	We performed the following audit procedures, amongst others: ▪ We assessed the appropriateness of the Company's valuation policies ▪ We assessed whether the classification of financial assets appeared appropriate ▪ We reconciled trial balance amounts to supporting schedules ▪ We obtained third party confirmation of all investment balances and compared them with trial balance amounts ▪ We recalculated realised and unrealised investment profits and losses from third party broker transaction records and compared them to trial balance amounts ▪ We assessed the reasonability of management's classification of investments as Fair Value Level 1

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 Company 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 Company 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 Company'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 Company'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 Company 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 Company 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.

UHY Haines Norton
Chartered Accountants

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 13 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of H&G High Conviction Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Mark Nicholaeff
Partner

UHY Haines Norton

UHY Haines Norton
Chartered Accountants

Sydney
24 August 2023

ASX Information

As at 30 June 2023

TOP 20 SHAREHOLDERS

Name	Number of Shares	%
National Nominees Limited	3,546,419	14.2%
Est Mr David Neil Constable	3,175,526	12.7%
Fayrstede Pty Ltd	3,113,749	12.4%
Hancock & Gore Ltd	1,521,085	6.1%
Gretta Nominees Pty Ltd	1,379,732	5.5%
Jennifer Ann Hershon	1,349,882	5.4%
Dr Ida Constable	1,320,000	5.3%
Donus Australia Foundation Limited	1,250,924	5.0%
Mr Alexander Damien Harry Beard + Mrs Pascale Marie Beard	775,038	3.1%
Mr Jamie Pherous	551,188	2.2%
Kaysim Pty Ltd	514,819	2.1%
Blackwood Super Fund Pty Limited	508,698	2.0%
Totem Holdings Pty Ltd	485,861	1.9%
Maranhao 2 Pty Ltd	480,770	1.9%
Mr Vaughan Thales Kent	358,830	1.4%
Est Mrs Maisie Wallace	254,349	1.0%
Lotus Research Pty Ltd	254,349	1.0%
Citicorp Nominees Pty Limited	250,091	1.0%
Moat Investments Pty Ltd	240,384	1.0%
Cannington Corporation Pty Limited	155,870	0.6%
Total	**21,487,564**	**85.7%**
Total shares on issue	**25,059,427**	**100.0%**

On 30 June 2023, there were 310 holders of ordinary shares in the capital of HCF. Holders of ordinary shares are entitled to one vote per share.

SUBSTANTIAL SHAREHOLDERS

Name	Number of Shares	% of total
Constable Group	5,746,450	22.9%
National Nominees	3,546,419	14.2%
Faystrede Pty Ltd (Cooper Superannuation Fund)	3,113,749	12.4%
Hancock & Gore Limited	1,521,085	6.1%
Gretta Nominees Pty Ltd <Harvey Super Fund Account>	1,379,732	5.5%
Jennifer Ann Hershon	1,349,882	5.4%

DISTRIBUTION OF EQUITY SECURITIES

Number of shares held	Number of Shareholders
1 – 1,000	11
1,001 – 5,000	121
5,001 – 10,000	54
10,001 – 100,000	96
100,000 and over	28

The number of holders of less than a marketable parcel of $500 (532 shares) is 5.

OTHER INFORMATION

HCF is taxed as a public company.

The total number of transactions in securities undertaken by HCF was 519 and the brokerage paid or accrued was $82,763.

Corporate Directory

DIRECTORS

David Groves (Non-executive Chairman)

Nicholas (Nick) Atkinson

Joseph Constable

MANAGEMENT

H&G Investment Management Limited

Level 5, 107 Pitt Street
Sydney NSW 2000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Sydney NSW 2000

Phone: +61 (0)2 8667 4660
Email: info@hng.com.au
Website: www.hancockandgore.com.au

COUNTRY OF INCORPORATION

Australia

SHARE REGISTRY

Registry Direct

PO Box 572
Sandringham VIC 3191

Phone: 1300 556635 or +61 3 99099909 (outside Australia)
Email: registry@registrydirect.com.au

AUSTRALIAN SECURITIES EXCHANGE LISTING

H&G High Conviction Limited (ASX: **HCF**)

AUDITOR

UHY Haines Norton Sydney

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Sydney NSW 2077

H&G
HIGH CONVICTION

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