

# Hancock & Gore Ltd

(Formerly: HGL Limited)

ASX: HNG

## Appendix 4D Preliminary Half-year Report Half-year 31 March 2022

Reporting period:

31 March 2022

Previous corresponding period:

31 March 2021

### Results for announcement to the market

				Current Period \$'000	Previous Period \$'000
Revenues from ordinary activities	DOWN	18%	TO	802	973
Profit from ordinary activities after tax attributable to members	DOWN	76% *	TO	2,473	10,157
Net profit for the period attributable to members	DOWN	76% *	TO	2,473	10,157
Earnings per share (cents per share)	DOWN	88% *	TO	1.2	9.9
Net tangible assets per share (cents per share)	UP	13%	TO	28.0	24.8

### Explanation of results

\* The previous period results included a one-off net revaluation gain of \$7.98m, upon the initial change to investment entity reporting. Accordingly, the headline performance measures, and percentage changes, as shown above, are not considered representative of the actual comparative financial performance. Please refer to Note 3 of the attached Interim financial report for more information.

The key driver of the result for the current period was a net revaluation gain of \$3.27m in respect of realised and unrealised increases in the fair value of investments during the period.

### Dividends

A final dividend of 1 cent per share, in respect of the year ended 30 September 2021, was paid on 3 December 2021.

The Directors have resolved to not declare a dividend in relation to the period ending March 31, 2022, in particular due to opportunities currently presenting as a result of market volatility. Directors note that should current portfolio M&A activity result in the conclusion of a transaction for a material portfolio investment, Directors will reconsider the payment of an interim dividend at that time.

### Changes in controlled entities

H&G reports as an investment entity, as defined in the accounting standards. Accordingly, only those controlled entities whose main purpose and activities relate to the investment activities of the group are consolidated, and other controlled entities are instead shown as investments held at fair value.

There were no changes in the controlled entities forming the investment entity during the period. During the prior period, on 23 March 2021, the Company acquired all of the equity in H&G Investment Management Ltd (formerly: Supervised Investments Australia Ltd).

On 2 November 2021, the Company completed the disposal of BLC Cosmetics Pty Limited. During the prior period, the Company disposed of its interests in Baker & McAuliffe Holdings Pty Limited (trading as JSB Lighting) and JSB Lighting (New Zealand) Limited. BLC Cosmetics Pty Limited, Baker & McAuliffe Holdings Pty Limited and JSB Lighting (New Zealand) Limited were all controlled entities that were not consolidated but accounted for as investments at fair value.

### Audit

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

# **Hancock & Gore Ltd**

(Formerly: HGL Limited)

ABN 25 009 657 961

**Interim financial report for the half year ended 31 March 2022**

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## Directors' Report

Your directors present their report on the consolidated entity ("H&G" or the "Group") consisting of Hancock & Gore Ltd (the "Company", formerly: HGL Limited) and the investment entities it controlled at the end of, or during, the half-year ended 31 March 2022.

### Directors

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

Alexander (Sandy) Beard;  
Kevin Eley;  
Joseph Constable.

Peter Miller;  
Cheryl Hayman; and

### Principal activities

The principal activities of the Group are to deliver superior long-term investment returns by investing in diversified asset categories, including listed and unlisted equities, funds management, private equity investments and direct property. H&G aims to provide active support to those investees in which it holds a significant equity stake as an aligned partner to enhance investment returns and objectives.

### Operating and Financial Review

The period since 30 September 2021 has seen H&G continue its evolution as a diversified investment company with a strong balance sheet, new investment team and extensive investment opportunities available to it.

Capital raisings in the prior financial year saw H&G fundamentally transformed, with all head entity debt repaid and new cash balances available for investment. During the current financial year, H&G has further consolidated its position with additional investments, pro-active engagement to enhance the value of existing investees, and a new capital raising to further strengthen the balance sheet and replenish cash available for future investment and growth. The Board thanks all investors who participated in these capital raisings and looks forward to creating meaningful value through the use of these funds.

Key highlights in the current period include:

- Net profit before tax for the six months ended 31 March 2022 of \$2.6 million;
- Net tangible assets at 31 March 2021 of \$62.1 million, or 28.0 cents per share;
- Reinstatement of dividends with a final dividend for the year ended 30 September 2021 of 1 cent per share declared and paid in the period;
- Completion of the sale of BLC Cosmetics;
- Completion of two staged capital raising of \$15 million before costs through the issue of 45.5 million new shares at 33 cents per share;
- Over 40% growth in the funds' management assets through organic growth and new fund development;
- Continued development of and growth in the valuations of key private equity investments;
- Progression of M&A activity for key portfolio investments; and
- Identification and due diligence completed for a strategic new private equity investment.

H&G reports a Statutory Net Profit after Tax for the period of \$2.5 million, (31 March 2021: \$10.2 million) including realised and unrealised fair value gains of \$3.3 million (31 March 2021: \$8.8 million). The fair value gains for the prior period included the one-off reflection of the uplift in fair values, that had accrued over time, from the change to the investment entity basis of accounting. The fair value gains for the current period reflect evidence of further value enhancement emerging, particularly in relation to the Pegasus and Provider Choice/ T-Shirt Ventures investments.

In order to drive value for investees and H&G shareholders, H&G continues to actively engage with investees to grow revenues and profitability, and also to drive strategic corporate and capital management opportunities.

The Board was delighted to reinstate dividends during the period. Whilst the profit for the period has again been solid, the Board will continue to consider dividends in the light of both reported profits but also cash realisations.

At this stage, the Board has elected not to declare an interim dividend for the current financial year. In assessing the merits of declaring a dividend with the release of half year results the Directors have reflected on:

- Investment opportunities currently under review, enhanced by market uncertainty and volatility; and
- Progression of potential merger and acquisition activity in the portfolio.

## Directors' Report

### Operating and Financial Review (continued)

The impacts of COVID appear to have lessened during the current half-year period. It is pleasing to see that each of our key investee entities have come through what appears to have been the worst of the COVID impacts on the economy in a solid position, although supply chain disruptions and pricing pressures remain.

The Group continues to analyse investment opportunities across several asset classes, including listed and unlisted equities, commercial property and debt financing.

Through a combination of investment performance and capital raisings, and after payment of a 1 cent per share dividend in December, Net Tangible Assets (NTA) at 31 March 2022 increased to \$62.1 million or 28.0 cents per share (31 March 2021: \$32.9 million or 24.8 cps).

H&G also holds approximately \$20 million in carried forward revenue losses and \$15 million in carried forward capital losses, calculated as at 31 March 2022, that, subject to utilisation rules, are available to offset tax on realisations of existing unrealised gains and future profits. Further, H&G retains in excess of \$8 million in franking credits.

### Outlook

Following an encouraging first half, and with a balance sheet capable of taking advantage of the opportunities available to the Company, the Directors are confident that H&G's investment strategy will support solid future returns.

The Board's focus remains on the continued efficient management and repositioning of the existing investment portfolio and cash resources, in pursuit of the broader investment strategy previously outlined to shareholders at recent annual general meetings.

At this point in time, however, the Board considers it premature to provide guidance in relation to performance for the full FY22 financial year.

### Significant changes in the state of affairs

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

### Events since the end of the reporting period

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

### Likely developments and expected results of operations

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

### Rounding of amounts

The Company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Director's Report and financial report. Amounts in the Director's Report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of directors.



Alexander (Sandy) Beard  
Director

Sydney  
25 May 2022

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

To the Directors of Hancock and Gore Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 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 Hancock and Gore Limited and the entities it controlled during the financial period.

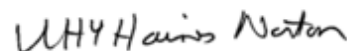


**Mark Nicholaeff**

Partner

Sydney

Dated: 25 May 2022



**UHY Haines Norton**

Chartered Accountants

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<b>Consolidated entity</b>	
	<b>31 March 2022 \$'000</b>	<b>31 March 2021 \$'000</b>
Dividend income	213	955
Finance income	308	-
Funds management and other fee revenue	281	18
<b>Revenue from continuing operations</b>	<b>802</b>	<b>973</b>
Fair value gains on financial assets at fair value through profit or loss	3,269	8,785
Other income	211	1,474
Employee benefits expense	(727)	(425)
Other expenses	(664)	(710)
Share based payment expenses	(181)	(29)
Depreciation and amortisation expense	(122)	(115)
Finance costs	(12)	(40)
<b>Profit from continuing operations before income tax</b>	<b>2,576</b>	<b>9,913</b>
Income tax expense/ benefit	(103)	244
<b>Profit from continuing operations for the period</b>	<b>2,473</b>	<b>10,157</b>
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period</b>	<b>2,473</b>	<b>10,157</b>
Profit is attributable to:		
Owners of Hancock & Gore Ltd	2,473	10,157
Total comprehensive income for the period is attributable to:		
Owners of Hancock & Gore Ltd	2,473	10,157
<b>Earnings per share attributable to the ordinary equity holders of the Company:</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	1.2	9.9
Diluted earnings per share	1.1	9.8

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

## Consolidated Balance Sheet

		<b>Consolidated entity</b>	
		<b>31 March</b>	<b>30 September</b>
		<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
Notes			
	<b>Assets</b>		
	<b>Current assets</b>		
	Cash and cash equivalents	12,026	7,367
	Trade and other receivables	166	425
	Related party receivables	732	902
	Prepayments	30	145
4	Financial assets at fair value through profit and loss	10,193	8,379
4	Financial assets at amortised cost	5,377	202
	<b>Total current assets</b>	<b>28,524</b>	<b>17,420</b>
	<b>Non-current assets</b>		
	Property, plant and equipment	55	81
	Right-of-use assets	301	396
	Intangible assets	712	712
4	Financial assets at fair value through profit and loss	34,487	30,513
	Deferred tax assets	-	234
	<b>Total non-current assets</b>	<b>35,555</b>	<b>31,936</b>
	<b>Total assets</b>	<b>64,079</b>	<b>49,356</b>
	<b>Liabilities</b>		
	<b>Current liabilities</b>		
	Trade and other payables	462	391
	Related party payables	50	-
	Lease liabilities	251	245
	Provisions	61	126
4	Financial liabilities at fair value through profit and loss	227	204
	<b>Total current liabilities</b>	<b>1,051</b>	<b>966</b>
	<b>Non-current liabilities</b>		
	Lease liabilities	155	281
	Provisions	15	42
	Deferred tax liabilities	-	285
	<b>Total non-current liabilities</b>	<b>170</b>	<b>608</b>
	<b>Total liabilities</b>	<b>1,221</b>	<b>1,574</b>
	<b>Net assets</b>	<b>62,858</b>	<b>47,782</b>
	<b>EQUITY</b>		
5	Share capital	72,473	58,274
	Reserves	15,912	17,508
	Accumulated losses	(22,178)	(24,651)
	Other components of equity	(3,349)	(3,349)
	<b>Total equity</b>	<b>62,858</b>	<b>47,782</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### Consolidated entity

	Issued capital	Profit reserve	Option reserve	Foreign currency reserve	Employee share scheme reserve	Other reserves	Accumulated Losses	Other components of equity	Attributable to owners of Hancock & Gore Ltd	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>For the Half-Year ended 31 March 2022:</b>											
<b>Balance at 1 October 2021</b>	<b>58,274</b>	<b>15,599</b>	<b>1,296</b>	<b>-</b>	<b>348</b>	<b>265</b>	<b>(24,651)</b>	<b>(3,349)</b>	<b>47,782</b>	<b>-</b>	<b>47,782</b>
Profit for the half-year	-	-	-	-	-	-	2,473	-	2,473	-	2,473
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,473</b>	<b>-</b>	<b>2,473</b>	<b>-</b>	<b>2,473</b>
<i>Transactions with owners in their capacity as owners:</i>											
Issue of share capital	15,000	-	-	-	-	-	-	-	15,000	-	15,000
Costs associated with issue of shares	(801)	-	-	-	-	-	-	-	(801)	-	(801)
Dividends paid	-	(1,777)	-	-	-	-	-	-	(1,777)	-	(1,777)
Share based payments	-	-	-	-	181	-	-	-	181	-	181
	<b>14,199</b>	<b>(1,777)</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,603</b>	<b>-</b>	<b>12,603</b>
<b>Balance at 31 March 2022</b>	<b>72,473</b>	<b>13,822</b>	<b>1,296</b>	<b>-</b>	<b>529</b>	<b>265</b>	<b>(22,178)</b>	<b>(3,349)</b>	<b>62,858</b>	<b>-</b>	<b>62,858</b>
<b>For the Half-Year ended 31 March 2021:</b>											
<b>Balance at 1 October 2020</b>	<b>42,477</b>	<b>-</b>	<b>-</b>	<b>(159)</b>	<b>41</b>	<b>(1,017)</b>	<b>(23,369)</b>	<b>(3,349)</b>	<b>14,624</b>	<b>1,884</b>	<b>16,508</b>
Profit for the half-year	-	-	-	-	-	-	10,157	-	10,157	-	10,157
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,157</b>	<b>-</b>	<b>10,157</b>	<b>-</b>	<b>10,157</b>
<i>Transactions with owners in their capacity as owners:</i>											
Issue of share capital	8,909	-	-	-	-	-	-	-	8,909	-	8,909
Costs associated with issue of shares	(244)	-	-	-	-	-	-	-	(244)	-	(244)
Share based payments	-	-	-	-	29	-	-	-	29	-	29
	<b>8,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,694</b>	<b>-</b>	<b>8,694</b>
Transfer to retained earnings	-	1,282	-	-	-	-	(1,282)	-	-	-	-
Deconsolidation adjustments on change of accounting basis	-	-	-	159	-	-	-	-	159	(1,884)	(1,725)
<b>Balance at 31 March 2021</b>	<b>51,142</b>	<b>1,282</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>(1,017)</b>	<b>(14,494)</b>	<b>(3,349)</b>	<b>33,634</b>	<b>-</b>	<b>33,634</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## Consolidated Statement of Cash Flows

	Notes	Consolidated entity 31 March 2022 \$'000	31 March 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		580	-
Payments to suppliers and employees		(1,293)	(1,418)
Other revenue		-	364
Interest received		121	-
Dividends received		163	955
Interest paid		(9)	(26)
<b>Net cash outflow from operating activities</b>		<b>(438)</b>	<b>(125)</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposals of investments		16,249	687
Purchase of investments		(18,544)	(3,374)
Loans provided		(5,000)	-
Payments for property, plant and equipment		-	(7)
<b>Net cash outflow from investing activities</b>		<b>(7,295)</b>	<b>(2,694)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares before issue costs	5	15,000	8,189
Share issues costs	5	(801)	-
Dividends paid		(1,777)	-
Repayment of borrowings		-	(1,553)
Payment of lease liabilities		(118)	(595)
Loans to related parties		-	(182)
Loans from related parties		88	-
<b>Net cash inflow from financing activities</b>		<b>12,392</b>	<b>5,859</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,659</b>	<b>3,040</b>
Cash and cash equivalents at the beginning of the half-year		7,367	3,858
Cash derecognised on deconsolidation of subsidiaries		-	(3,815)
<b>Cash and cash equivalents at end of the half-year</b>		<b>12,026</b>	<b>3,083</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1 Basis of preparation of half-year report

This condensed consolidated Interim Financial Report for the half-year reporting period ended 31 March 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this Report is to be read in conjunction with the Annual Report for the year ended 30 September 2021 and any public announcements made by Hancock & Gore Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

## 2 Segment information

Since the change of status to an Investment Entity, the Group operates as a single segment, "Investing", and there are no separate reportable operating segments.

## 3 Profit and loss information

### Significant Profit and loss items

The Group has identified items which may be considered significant for providing a better understanding of the financial performance of the Group, due to their nature and/or amount.

	<b>Consolidated entity</b>	
	<b>31 March 2022 \$'000</b>	<b>31 March 2021 \$'000</b>
Profit from continuing operations before income tax	<b>2,576</b>	9,913
<i>Add back:</i>		
Share-based payment expenses in respect of employee share scheme interests	<b>181</b>	29
Depreciation and amortisation expense	<b>122</b>	115
<i>Deduct:</i>		
Net unrealised fair value movements in unlisted financial assets and liabilities	<b>(2,662)</b>	(8,785)
Loan forgiveness from related party	-	(1,118)
Adjusted net profit before tax	<b>217</b>	154

Net unrealised fair value movements on unlisted financial assets and liabilities includes the unrealised (non-cash) movements in the aggregated value of the portfolio of unlisted investments and any movement in the value of derivative financial instruments.

In future periods, the Directors also intend to include significant cash realisations of previously unrealised gains in the calculation.

The Directors consider that the inclusion of the adjusted net profit before tax measure of performance provides shareholders with a guide to the operating performance and the cash generation performance of the Group.

This profit measure will be a key input for the Board when considering the declaration of future dividends.

More information regarding valuations can be found in note 4.

## 4 Financial assets and financial liabilities

	<b>Consolidated entity</b>	
	<b>31 March 2022</b>	<b>30 September 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value through profit and loss:</b>		
<b>Current assets</b>		
Listed equities	9,266	4,225
Other listed equity securities	-	31
Unlisted shares	-	4,123
Deferred consideration receivable	927	-
	<b>10,193</b>	<b>8,379</b>
<b>Non-current assets</b>		
Unlisted shares	29,525	26,932
Convertible note securities	4,371	3,000
Call option asset	591	581
	<b>34,487</b>	<b>30,513</b>
Total financial assets at fair value	<b>44,680</b>	<b>38,892</b>
<b>Financial assets at amortised cost:</b>		
<b>Current assets</b>		
Term deposit	202	202
Loans receivable	5,175	-
	<b>5,377</b>	<b>202</b>
<b>Financial liabilities at fair value through profit and loss:</b>		
<b>Current liabilities</b>		
Put option liability	227	204

### Fair value measurements of financial instruments

#### Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between the levels of the fair value hierarchy in the six months to 31 March 2022.

## Financial assets and financial liabilities

### Assets and liabilities at fair value by hierarchy

Consolidated entity - At 31 March 2022

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Listed equities	9,266	-	-	9,266
Unlisted shares	-	2,000	27,525	29,525
Deferred consideration receivable	-	-	927	927
Convertible note securities	-	4,371	-	4,371
Call option asset	-	-	591	591
<b>Total financial assets at fair value</b>	<b>9,266</b>	<b>6,371</b>	<b>29,043</b>	<b>44,680</b>
Put option liability	-	-	227	227
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>227</b>

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

#### Specific valuation techniques

Specific valuation techniques used to determine fair values of level 3 assets include:

- financial assets are initially valued at cost where those investments have been made in close proximity to balance date, and the investment opportunity is determined to have been at arms-length as part of a broader capital raising approach by the investee;
- shares in unlisted entities with a history of generating profits have been subsequently revalued based on a capitalisation of future maintainable earnings methodology, having regard to observable comparable transactions or quoted prices for similar enterprises;
- shares in unlisted entities where a sale price has been agreed and deferred consideration receivable have been valued based on a discounted cash flow for the expected amounts and timing of receipts;
- derivative financial assets and liabilities are valued using option pricing modelling;
- valuations of all financial assets and liabilities are finally cross-checked in light of any subsequent specific valuation information arising, including:
  - latest pricing inherent in capital raising activity by an investee;
  - latest pricing inherent in actual or proposed transactions in the financial instruments of an investee; and
  - changes in circumstances affecting the investee.

#### Valuation processes

Key level 3 inputs used by the Group in measuring the fair value of financial instruments have been derived and evaluated as follows:

- Future maintainable earnings: these are assessed based on historical earnings performance and board approved budgets and forecasts, after adjusting for non-recurring or significant one-off items, and typically are only up to 12 months in advance
- Capitalisation rates: these are determined using a comparator group of publicly available transactions, adjusted for relevant factors such as control premiums or minority discounts, liquidity discounts and market size.

## Financial assets and financial liabilities

### Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the material significant unobservable inputs used in level 3 fair value measurements for the unlisted shares as at 31 March 2022:

Investment	Valuation \$'000's	Basis of Valuation	Material Unobservable Inputs	Range of Inputs	Relationship of unobservable inputs to fair value
Mountcastle Group (40% interest)	16,739	Capitalisation of future maintainable earnings adjusted for net debt, surplus assets and capital management.	Maintainable earnings	\$8.5m - \$9.5m	+/- 10% change would result in a change in fair value of +/- \$1.7m
			Capitalisation multiple	4.0x - 4.3x	+/- 10% change would result in a change in fair value of +/- \$1.7m
Pegasus Group (70% interest)	9,256	Capitalisation of future maintainable earnings adjusted for net debt, surplus assets and capital management.	Maintainable earnings	\$2.4m - \$2.8m	+/- 10% change would result in a change in fair value of +/- \$0.9m
			Capitalisation multiple	5.0x - 5.3x	+/- 10% change would result in a change in fair value of +/- \$0.9m
SPOS Group (100% interest)	1,530	Discounted cash flow value of sale price payments under option deed	Discount rate	5%	Increasing the rate by +/- 5% would result in a change in fair value of +/- \$0.2m

## 5 Equity securities

### Ordinary shares

	31 March 2022		31 March 2021	
	Shares	\$'000	Shares	\$'000
<b>Balance at the beginning of the half-year</b>	<b>178,907,789</b>	<b>58,274</b>	75,622,581	42,477
Placement and underwritten rights issue in October and November 2020	-	-	33,085,208	4,105
Private placement	-	-	4,000,000	491
Issue for acquisition of H&G Investment Management Ltd	-	-	3,000,000	716
Placement in March 2021	-	-	16,906,168	3,353
Issued under capital raising - tranche 1	<b>22,451,514</b>	<b>7,409</b>	-	-
Issued under capital raising - tranche 2	<b>23,003,022</b>	<b>7,591</b>	-	-
Costs associated with capital raising	-	<b>(801)</b>	-	-
<b>Balance at the end of the half-year</b>	<b>224,362,325</b>	<b>72,473</b>	132,613,957	51,142

- On 26 November 2021, the Company announced a capital raising of 45.5m new shares at 33 cents per share comprising: an initial private placement of 22.5m shares, and a conditional placement, subject to shareholder approval, of a further 23.0m shares.

The company raised \$7.41 million before costs from the issue of 22,451,514 shares through the initial private placement. Shareholders ratified the issuance of these shares at the H&G Annual General Meeting on 2 February 2022 (the "AGM").

- At the AGM shareholders approved the conditional placement and the Company raised \$7.59m through the issue of 23,003,022 shares on 10 February 2022.

Included within the shares on issue at 31 March 2022 are 2,328,125 shares (31 March 2021: 328,125 shares) held under the Company's Employee Loan Funded Share Plan.

### Options

The Company has 8,000,000 options in issue that were granted to various parties who had participated in the private placement announced on 21 October 2020. Each option grants the holder the right to subscribe for 1 fully paid ordinary share in exchange for 15.0 cents cash, at any point prior to 24 February 2024. The options hold no voting or dividend rights.

At balance date, none of the options had been exercised.

The options are included in the calculation of Diluted Earnings Per Share.

### Performance Rights

The Company has granted 13,500,000 performance rights in total to two employees. The rights hold no voting or dividend rights. The rights granted to each employee are split into 3 equal tranches which vest on the 3rd, 4th and 5th anniversary of the employee's commencement date (being May/June of each of 2024, 2025 and 2026 respectively). Upon vesting, each eligible right will convert to one fully paid ordinary share. Vesting of each tranche of rights is subject to Total Shareholder Returns (TSR) on the Company's shares, calculated on a compounding basis from a starting point of 20 cents per share. Vesting, subject to Board discretion, is calculated in line with the following table:

TSR	Vesting Amount
Up to 10%	Nil Rights
Between 10% and 15%	Pro rata between nil and 50% of Rights
At 15%	50% of Rights
Between 15% and 25%	Pro rata between 50% and 100% of Rights
25% and above	100% of Rights

No performance rights were exercised or lapsed during the half year ended 31 March 2022.

The performance rights are included in the calculation of Diluted Earnings Per Share.

## 6 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities:

	<b>Consolidated entity</b>	
	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the period</b>	<b>2,473</b>	<b>10,157</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	122	115
Share based payments	181	(244)
Capitalised interest	(175)	-
Debt forgiven	-	(1,118)
Net (gains)/ losses on assets and liabilities at fair value through profit or loss	(3,269)	(8,785)
<b>Change in operating assets and liabilities, net of impact of changes to consolidated entities:</b>		
(Increase)/ decrease in trade and other receivables	35	181
(Increase)/ decrease in other operating assets	115	98
(Increase)/ decrease in tax assets	103	-
Increase/ (decrease) in trade and other payables	69	(502)
Increase/ (decrease) in other provisions	(92)	(27)
<b>Net cash inflow/ (outflow) from operating activities</b>	<b>(438)</b>	<b>(125)</b>

## 7 Business combinations

H&G reports as an investment entity, as defined in the accounting standards. Accordingly, only those controlled entities whose main purpose and activities relate to the investment activities of the group are consolidated, and other controlled entities are instead shown as investments held at fair value.

There were no changes in the controlled entities forming the investment entity during the half-year. During the prior period, on 23 March 2021, the Company acquired all of the equity in H&G Investment Management Ltd (formerly: Supervised Investments Australia Ltd).

On 2 November 2021, the Company completed the disposal of BLC Cosmetics Pty Limited. During the prior period, the Company disposed of its interests in Baker & McAuliffe Holdings Pty Limited (trading as JSB Lighting) and JSB Lighting (New Zealand) Limited. BLC Cosmetics Pty Limited, Baker & McAuliffe Holdings Pty Limited and JSB Lighting (New Zealand) Limited were all controlled entities that were accounted for as investments at fair value and not consolidated.

## 8 Events occurring after the reporting period

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

## Director's Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 14 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2022 and of its performance for the half-year ended on that date and
- (b) there are reasonable grounds to believe that Hancock & Gore Ltd 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 directors.



Alexander (Sandy) Beard  
Director

Sydney  
25 May 2022



## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the members of Hancock and Gore Limited

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hancock and Gore Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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 Hancock and Gore Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 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 March 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.

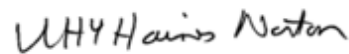


**Mark Nicholaeff**

Partner

Sydney

Dated: 25 May 2022



**UHY Haines Norton**

Chartered Accountants