H&G High Conviction Limited

ACN 660 009 165

Notice of General Meeting

Date: Friday, 11 April 2025

Time: 2.00pm (Sydney time)

Place: The Porter
Ground Floor
1 O'Connell Street
Sydney NSW 2000

This is an important document that requires your attention

This Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and HNG Prospectus should be read in its entirety. If you are in doubt about how to deal with this document, please consult your legal, financial or other professional advisor.

The Independent Expert has concluded that the Divestment as set out in the Explanatory Memorandum is ***'fair and reasonable'*** to Non-Associated HCF Shareholders in the absence of a Superior Proposal.

Contents

Important Information

Purpose of documents

This Notice of Meeting and Explanatory Memorandum has been prepared for the purpose of seeking HCF Shareholder approvals to (among other things) effect the proposed sale of HCF's Portfolio Assets to HNG, the buy-back of all HCF Shares held by HNG, and the distribution to Eligible Shareholders of the Consideration Shares received from HNG.

HNG Prospectus

This Notice of Meeting and Explanatory Memorandum annexes the HNG Prospectus at Annexure B. HCF recommends that all HCF Shareholders read the HNG Prospectus carefully and consider it in conjunction with this Notice of Meeting and Explanatory Memorandum. It contains important information in relation to HNG and the Consideration Shares.

HCF did not prepare or issue the HNG Prospectus. Except where and to the extent expressly stated in the HNG Prospectus, HCF does not take responsibility for any statements contained in the HNG Prospectus or the verification of their accuracy.

Offer of Consideration Shares

In accordance with ASIC regulatory guidance, the invitation to HCF Shareholders to vote on Resolution 4 (Approval of the Distribution) constitutes an 'offer' (for the purposes of Chapter 6D of the Corporations Act) to transfer the Consideration Shares to Eligible Shareholders under the Distribution, for which a prospectus is required unless a statutory exception applies.

The Consideration Shares are to be offered to HCF under the HNG Prospectus which has been prepared by HNG in accordance with Chapter 6D of the Corporations Act. This offer to HCF will therefore be made with disclosure required by the Corporations Act. Accordingly, the transfer of the Consideration Shares by HCF to Eligible Shareholders under the Distribution will not require additional disclosure. Eligible Shareholders will be able to on-sell or otherwise dispose of their Consideration Shares within the first 12 months of receiving them without further disclosure.

Notice to persons outside of Australia

This document has been prepared in accordance with Australian law including the Corporations Act. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Forward looking statements

Certain statements in this document relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of HCF to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks and considerations described in Section 9. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected.

These statements reflect views only as of the date of this Notice of Meeting. While HCF believes that the expectations reflected in the forward looking statements are reasonable, neither HCF nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this document will occur.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Divestment and Distribution which is not contained in this document. Any information which is not contained in this document may not be relied on as having been authorised by HCF, HCF Directors or the Independent Board Committee in connection with the Divestment and Distribution.

ASX and ASIC

A copy of this Notice of Meeting has been lodged with ASX and ASIC by HCF. The HNG Prospectus has also been lodged with the ASIC by HNG. Neither ASX, ASIC nor any of their officers take any responsibility for the contents of these documents.

Responsibility for Information

The information contained in this Explanatory Memorandum (except the HNG Information and Independent Expert's Report) has been prepared by HCF and is the responsibility of HCF.

The Independent Expert has prepared the Independent Expert's Report and has consented to the inclusion of that report in this Explanatory Memorandum. The Independent Expert takes responsibility for that report but is not responsible for any other information contained in this Explanatory Memorandum.

HNG has prepared the HNG Information and has consented to the inclusion of the HNG Information in this Explanatory Memorandum. HNG takes responsibility for the HNG Information but is not responsible for any other information contained in this Explanatory Memorandum

Privacy

HCF and HNG may collect personal information in the process of implementing the Divestment and Distribution. Such information may include the name, address, contact details and shareholdings of HCF Shareholders and the names of persons appointed by those persons to act as a proxy, attorney or corporate representative at the General Meeting.

The collection of some of this personal information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist HCF to conduct the General Meeting and to assist HCF and HNG to implement the Divestment and Distribution.

Personal information of the type described above may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers, related bodies corporate, advisers and service providers of HCF and HNG. If the information outlined above is not collected, HCF may be hindered in, or prevented from, conducting the General Meeting and implementing the Divestment and Distribution.

HCF Shareholders have certain rights to access personal information that has been collected. HCF Shareholders should contact the Share Registry in the first instance if they wish to access their personal information. HCF Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

External website

HCF maintains a website at www.highconviction.com.au. Information contained in or otherwise accessible through this website is not a part of this document and HCF Shareholders should not rely on its content. All references in this document to these internet sites are for your information only.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

Definitions

Capitalised terms in this document are defined in Schedule 1.

Enquiries

Enquiries in relation to this document can be directed to 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).

Date

This Notice of Meeting and Explanatory Memorandum are dated Wednesday, 12 March 2025.

Chairman's letter

Dear HCF Shareholders

I am pleased to invite you to a general meeting of H&G High Conviction Limited (**HCF**) to consider the proposed sale of its assets, including its portfolio of listed equity investments, to Hancock & Gore Limited (**HNG**).

Overview

On 12 March 2025, HCF announced that it had entered into a binding, conditional Asset Sale and Purchase Agreement (**Sale Agreement**) for the sale of HCF's Portfolio Assets to HNG (**Divestment**).

The total non-cash consideration is equivalent to $1.00 per share on issue, less the value of the Retention Amount (see below) and any dividends declared or paid by HCF between signing and completion of the Divestment (**Consideration**).

The Portfolio Assets comprise all of HCF's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.

The Retention Amount is a cash reserve to be retained by HCF to cover its expected transaction costs, tax liabilities, liabilities under its Investment Management Agreement and post-completion costs. HCF estimates that the Retention Amount will be between approximately $300,000 and $600,000.[1]

The Consideration comprises the following:

- (**buy-back and cancellation of shares held by HNG**) the buy-back and cancellation of all shares in HCF held by HNG;[2] and
- (**issue of HNG scrip**) for the balance Consideration – the issue of fully paid ordinary shares in HNG to HCF at an issue price of $0.30 per HNG share.

After completion, HCF will distribute the HNG scrip in-specie to HCF shareholders on a pro rata basis (**Distribution**).[3]

Completion of the Divestment is subject to a number of key conditions including approval by HCF's shareholders; the Independent Expert continuing to conclude that the Divestment is fair and reasonable to HCF's shareholders (excluding HNG and its associates); completion of the buy-back and cancellation of HCF shares held by HNG; and no material change occurring in respect of HCF's net tangible asset backing as reported on ASX prior to completion. The Distribution is also subject to shareholder approval under the *Corporations Act 2001*.

Section 4.3 sets out further information on the key terms of the Sale Agreement.

Independent Expert's Report

HCF appointed Leadenhall Corporate Advisory Pty Ltd to prepare an Independent Expert's Report in relation to the Divestment in accordance with ASX Listing Rule 10.5.10.

The Independent Expert has concluded that the Divestment is ***'fair and reasonable'*** to HCF's shareholders (excluding HNG and its associates), in the absence of a superior proposal.

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[1] The exact value of the Retention Amount will be determined prior to completion having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under its Investment Management Agreement and its financial position at the time of such determination.

[2] As at the date of this Notice of Meeting, HNG holds 4,974,756 shares in HCF, representing approximately 20.4% of HCF shares on issue.

[3] The in-specie distribution will occur after the HCF shares held by HNG have been bought back and cancelled.

In arriving at this opinion, the Independent Expert has assessed the market value of the Portfolio Assets to be in the range of $21.0 million to $21.1 million (assuming an estimated Retention Amount of $0.57 million, and on a control basis). The total value of the Consideration to be provided by HNG has been valued in the range of $21.1 million to $23.2 million. As the total value of the Consideration to be provided by HNG exceeds the assessed value of the Portfolio Assets, the Independent Expert has concluded that the Divestment is '***fair and reasonable***' to HCF's shareholders (excluding HNG and its associates), in the absence of a superior proposal.

A copy of the Independent Expert's Report is set out in Annexure A to the Explanatory Memorandum. HCF Shareholders are urged to carefully read the Independent Expert's Report in full.

Independent Board Committee recommendation

HCF established an Independent Board Committee comprising Mr David Groves and Mr Dennison Hambling to oversee all aspects of the proposal. Director, Mr Nicholas Atkinson was excluded from decision-making in respect of the proposal due to his executive role with HNG.

The Independent Board Committee unanimously recommends the Divestment and Distribution to HCF shareholders, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Divestment is fair and reasonable to HCF's shareholders (excluding HNG and its associates).

Each of the Independent Board Committee members intend to vote their HCF Shares in favour of the resolutions set out in the Notice of Meeting.

Transaction rationale

The Independent Board Committee considers that the transaction presents an opportunity for HCF to:

- sell its Portfolio Assets at an attractive valuation, which may not otherwise be realised if they remain owned by HCF; and
- provide HCF shareholders with exposure to a larger and more diversified investment group.

Following the Divestment and Distribution, the enlarged HNG will have an expected pro-forma market capitalisation of approximately $150 million, including 100% ownership of a cash generative operating business, a dividend-paying track record and over 25% total shareholder return since its recapitalisation under current management in October 2020.

Shareholder approval requirements

HCF Shareholder approval is required for HCF to undertake the Divestment and Distribution, for the purposes of:

- **Resolution 1** – ASX Listing Rule 10.1.3, for the disposal of substantial assets to a person who is a substantial (10%+) holder in HCF;
- **Resolution 2** – ASX Listing Rule 11.2, for the disposal of HCF's main undertaking;
- **Resolution 3** – section 257D(1)(a) of the Corporations Act, for the selective buy-back and cancellation of all HCF shares which are held by HNG; and
- **Resolution 4** – section 256C(1) of the Corporations Act, for the reduction in the share capital of HCF, by HCF making a pro rata distribution in-specie of the HNG Consideration Shares to all eligible HCF shareholders.

HCF shareholders should consider all of the information contained in the Notice of Meeting and Explanatory Memorandum before making a decision as to whether to vote in favour of the Divestment and Distribution. In particular, HCF shareholders should carefully consider the reasons to vote in favour of, or against, the Divestment and Distribution in Sections 2 and 3, the risks associated with the Divestment and Distribution in Section 9 and the Independent Expert's Report in Annexure A.

Consequences for the Company following the transaction

Following completion of the Divestment and Distribution, HCF will be a listed vehicle with no material debts, liabilities or assets and the HCF Board will need to consider its strategic options for HCF following completion. See Section 7 of the Explanatory Memorandum for further details on the effect of the Divestment and Distribution on HCF, including on the capital structure, control and financial position of HCF.

Further information

Further details of the resolutions are set out in the Notice of Meeting and Explanatory Memorandum. Your vote is important and I encourage you to vote either at the meeting to be held at 2.00pm (Sydney time) on Friday, 11 April 2025 or by completing the Proxy Form enclosed with this Notice of Meeting.

Yours sincerely

David Groves
Non-Executive Chairman
H&G High Conviction Limited

Notice of General Meeting

Notice is given that an extraordinary general meeting of HCF shareholders will be held on **Friday, 11 April 2025**, commencing at **2.00pm (Sydney time)** at **The Porter, Ground Floor, 1 O'Connell Street, Sydney, NSW 2000**.

This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum. Please note terms contained in this Notice of Meeting have the same meaning as set out in Schedule 1. A Proxy Form also accompanies this Notice of Meeting.

Agenda

Resolution 1 – Approval of the Divestment

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2, 3 and 4, for the purposes of ASX Listing Rule 10.1.3 and for all other purposes, approval is given for HCF to sell its Portfolio Assets to HNG on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.'

Resolution 2 – Disposal of main undertaking

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 1, 3 and 4, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for HCF to dispose of its main undertaking on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.'

Resolution 3 – Approval of the Buy-Back

To consider and, if thought fit, to pass the following resolution as a special resolution:

'That, subject to the passing of Resolutions 1, 2 and 4, for the purposes of section 257D(1)(a) of the Corporations Act and for all other purposes, approval is given for HCF to conduct a selective buy-back of 4,974,756 HCF Shares from HNG, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.'

Resolution 4 – Approval of the Distribution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 1, 2 and 3, for the purposes of sections 256C of the Corporations Act and for all other purposes, the share capital of HCF be reduced, without cancelling any HCF Shares, by HCF making a pro rata distribution in-specie of the Consideration Shares to all Eligible Shareholders, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.'

Voting Exclusions

HCF will disregard any votes cast in favour of Resolutions 1 to 4 by or on behalf of HNG or any of its associates, or any other person who will obtain a material benefit as a result of the Divestment, Buy-Back or Distribution (except a benefit solely by reason of being a holder of ordinary securities in HCF) or an associate of that person or those persons. However, this does not apply to a vote cast in favour of a resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on this resolution, in accordance with directions given to the proxy or attorney to vote on this resolution in that way; or

(b) the Chair as proxy or attorney for a person who is entitled to vote on this resolution, in accordance with a direction given to the Chair to vote on this resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

    (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this resolution; and

    (ii) the holder votes on this resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Independent Expert's Report

HCF Shareholders should carefully consider the Independent Expert's Report prepared in respect of Resolution 1. The Independent Expert's Report comments on the fairness and reasonableness of the Divestment as a whole to Non-Associated HCF Shareholders. The Independent Expert's Report has determined that the Divestment is ***'fair and reasonable'*** to Non-Associated HCF Shareholders. The Independent Expert's Report is set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting.

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the assistance of HCF Shareholders in relation to business to be conducted at an extraordinary general meeting to be held on **Friday, 11 April 2025**, commencing at **2.00pm (Sydney time)** at **The Porter, Ground Floor, 1 O'Connell Street, Sydney, NSW 2000**. This Explanatory Memorandum should be read with, and form part of, the accompanying Notice of Meeting.

The purpose of this Explanatory Memorandum is to provide HCF Shareholders with all information known to HCF which is material to a decision on how to vote on the resolutions in the accompanying Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual HCF Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the resolutions and HCF Shareholders should seek their own financial or legal advice.

Eligibility to vote

The HCF Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the General Meeting will be as it appears in the register at 7pm (Sydney time) on Tuesday, 8 April 2025. Accordingly, those persons are entitled to vote at the General Meeting.

How to vote

If you are eligible, you may vote by attending the General Meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.

Voting by proxy

To vote by proxy, please complete, sign and return the enclosed Proxy Form in accordance with the following instructions. If you require an additional Proxy Form, HCF will supply it on request.

A member who is entitled to vote at the General Meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of HCF. Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

The Proxy Form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.

To be effective, the Proxy Form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by HCF at least 48 hours before the time for holding of the General Meeting or any adjourned meeting (or such lesser period the HCF Directors permit):

- **By mail** c/- PO Box 572, Sandringham, Victoria 3191.
- **Online** by visiting https://www.registrydirect.com.au/investor/.
- **By facsimile** by completing and faxing the enclosed Proxy Form to: +61 3 9111 5652.
- **By email** by completing the enclosed Proxy Form and emailing it to: vote@registrydirect.com.au.

Any Proxy Form received after this deadline including at the General Meeting will be treated as invalid.

A person appointed as proxy may vote or abstain from voting as he or she thinks fit except where the proxy holds a Directed Proxy Form or the proxy is required by law or HCF's constitution to vote in a certain manner or abstain from voting.

If you appoint the Chair as your proxy and have not directed him how to vote, you are expressly authorising the Chair to cast your Undirected Proxy Form in favour of all of the resolutions.

1 Overview of Divestment and Distribution

1.1 Background

On 13 January 2025, HCF announced that it had received a non-binding indicative proposal from HNG to acquire all of HCF's assets in exchange for Consideration Shares in HNG.

The HCF Board established an Independent Board Committee comprising Mr David Groves and Mr Dennison Hambling to oversee all aspects of the HNG proposal. Mr Nicholas Atkinson was excluded from decision-making in respect of the HNG proposal due to his executive role with HNG.

On 12 March 2025, HCF announced that it had entered into a binding, conditional Sale Agreement with HNG in respect of the proposal, pursuant to which HCF has agreed to sell all of its Portfolio Assets to HNG in consideration for the Buy-Back and cancellation of all HCF Shares held by HNG[4] and the issue of the Consideration Shares by HNG at an issue price of $0.30 per share.

The Portfolio Assets comprise all of HCF's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.[5]

The transactions under the Sale Agreement are conditional on a number of customary conditions precedent, including obtaining the shareholder approvals the subject of this General Meeting. The key terms of the Sale Agreement are set out in Section 4.

After completion of the Divestment, HCF will distribute the Consideration Shares in-specie to Eligible Shareholders of HCF on a pro rata basis under the Distribution.

1.2 Rationale for Divestment and Distribution

Since listing on ASX in October 2022, HCF has endeavoured to deliver positive returns to HCF Shareholders through its strategy of investing in a concentrated portfolio of ASX-listed micro capitalisation companies, which trade at a significant discount relative to their perceived inherent value.

HCF has faced a number of challenges in generating compelling, double-digit returns for shareholders, including volatile market conditions, limited liquidity in its shares, and sub-optimal portfolio scale, with total assets of only $24.4 million as at 31 December 2024.

The Independent Board Committee considers that the Divestment and Distribution presents an opportunity for HCF to:

(a) sell its Portfolio Assets at an attractive valuation, which may not otherwise be realised if they remain owned by HCF; and

(b) provide HCF Shareholders with exposure to an enlarged, diversified investment group, which may reduce some of the commercial risks and uncertainty associated with their investment in HCF.

See Sections 2 and 3 for further details on the reasons to vote in favour of, or against, the Divestment and Distribution.

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[4] As at the date of this Notice of Meeting, HNG holds 4,974,756 HCF Shares, representing approximately 20.4% of HCF Shares on issue.

[5] The Retention Amount is a cash amount to be retained by HCF to cover its expected transaction costs, tax liabilities, liabilities under the Investment Management Agreement and other operational costs to fund its activities post completion.

1.3 **Independent Expert's Report**

HCF appointed Leadenhall Corporate Advisory Pty Ltd to prepare an Independent Expert's Report in relation to the Divestment in accordance with ASX Listing Rule 10.5.10.

The Independent Expert has concluded that the Divestment is '***fair and reasonable***' to Non-Associated HCF Shareholders, in the absence of a Superior Proposal.

In arriving at this opinion, the Independent Expert has assessed the market value of the Portfolio Assets to be in the range of $21.0 million to $21.1 million (assuming an estimated Retention Amount of $0.57 million, and on a control basis). The total value of the Consideration to be provided by HNG has been valued in the range of $21.1 million to $23.2 million. As the total value of the Consideration to be provided by HNG exceeds the assessed value of the Portfolio Assets, the Independent Expert has concluded that the Divestment is '***fair and reasonable***' to HCF's shareholders (excluding HNG and its associates), in the absence of a Superior Proposal.

A copy of the Independent Expert's Report is set out in Annexure A to the Explanatory Memorandum. Shareholders are urged to carefully read the Independent Expert's Report in full.

1.4 **Indicative timetable**

The indicative timetable for the Divestment, Buy-Back and Distribution is set out below:

Event	Date
Notice of Meeting Date of this Notice of Meeting and despatch to HCF Shareholders	Wednesday, 12 March 2025
General Meeting Proxy Forms Latest time and date by which the General Meeting Proxy Forms must be received by HCF's Share Registry	2.00pm (Sydney time) Wednesday, 9 April 2025
Trading halt Trading halt pending the outcome of the General Meeting	Friday, 11 April 2025
General Meeting To approve the Divestment, Buy-Back and Distribution	2.00pm (Sydney time) Friday, 11 April 2025
Completion date (Divestment and Buy-Back) Expected completion of the Divestment and Buy-Back and issue of the Consideration Shares under the HNG Prospectus	Thursday, 17 April 2025
Distribution Record Date Record date for calculating entitlements under the Distribution	7.00pm (Sydney time) Thursday, 24 April 2025
Completion date (Distribution) Expected date for distribution of the Consideration Shares to HCF Shareholders	Wednesday, 30 April 2025

The timetable and the dates above (and the references to those dates throughout this Notice of Meeting) are indicative only. HCF may vary those dates in accordance with the Sale Agreement and applicable laws in its absolute discretion and without prior notice.

Completion of the Divestment and Distribution are subject to the terms of the Sale Agreement, including satisfaction of the conditions precedent (as summarised in Section 4). The dates above and within this Notice of Meeting with respect to the timing of the Distribution will depend on timing of completion of the Divestment. HCF will advise these dates to HCF Shareholders when available. Changes to the above dates will be announced to ASX.

1.5 Shareholder approval requirements

HCF Shareholder approval is required for HCF to undertake the Divestment and Distribution, for the purposes of:

(a) **Resolution 1** – ASX Listing Rule 10.1.3, for the disposal of substantial assets to a person who is a substantial (10%+) holder in HCF;

(b) **Resolution 2** – ASX Listing Rule 11.2, for the disposal of HCF's main undertaking;

(c) **Resolution 3** – section 257D(1)(a) of the Corporations Act, for the selective buy-back and cancellation of all HCF Shares which are held by HNG; and

(d) **Resolution 4** – section 256C(1) of the Corporations Act, for the reduction in the share capital of HCF, by HCF making a pro rata distribution in-specie of the Consideration Shares to all Eligible Shareholders.

HCF Shareholders should consider all of the information contained in this Explanatory Memorandum before making a decision as to whether to vote in favour of the Divestment. In particular, HCF Shareholders should carefully consider the reasons to vote in favour of, or against, the Divestment and Distribution in Sections 2 and 3, the risks associated with the Divestment and Distribution in Section 9 and the Independent Expert's Report in Annexure A.

2 Reasons to vote in favour of the Divestment and Distribution

2.1 The Divestment implies an attractive valuation for the Portfolio Assets

The Divestment implies a valuation of HCF's Portfolio Assets equivalent to $1.00 per HCF Share, which will be reduced by the value of the Retention Amount and any dividends declared or paid by HCF before completion of the Divestment.

The implied valuation represents:

(a) a 31.5% premium to HCF’s closing share price on ASX of $0.76 per share on Friday, 10 January 2025, being the last trading day prior to the announcement of the Divestment;

(b) a 9.6% premium to HCF's last published net tangible asset value after all taxes of $0.912 per share as at 28 February 2025.

2.2 The Divestment and Distribution provides Eligible Shareholders with exposure to a larger and more diversified investment group

Eligible Shareholders will become shareholders in HNG, providing them with direct exposure to a larger scale and more diversified investment group than HCF.

HNG is an ASX listed, active investment company which invests in small to medium size businesses with a sustainable competitive advantage and strong growth prospects providing them with specialist business management skills and equity capital to leverage these growth opportunities.

Following the Divestment and Distribution, the enlarged HNG will have an expected pro-forma market capitalisation of approximately $150 million, including 100% ownership of a cash generative operating business, a dividend-paying track record and over 25% total shareholder return since its recapitalisation under current management in October 2020.

Further information about HNG is set out in Section 8.

2.3 The Independent Expert has concluded that the Divestment is fair and reasonable to the Non-Associated HCF Shareholders, in the absence of a Superior Proposal

HCF appointed Leadenhall Corporate Advisory Pty Ltd to prepare an Independent Expert's Report in relation to the Divestment in accordance with ASX Listing Rule 10.5.10.

The Independent Expert has concluded that the Divestment is **'*fair and reasonable*'** to Non-Associated HCF Shareholders, in the absence of a Superior Proposal.

In arriving at this opinion, the Independent Expert has assessed the market value of the Portfolio Assets to be in the range of $21.0 million to $21.1 million (assuming an estimated Retention Amount of $0.57, and on a control basis). The total value of the Consideration to be provided by HNG has been valued in the range of $21.1 million to $23.2 million. As the total value of the Consideration to be provided by HNG exceeds the assessed value of the Portfolio Assets, the Independent Expert has concluded that the Divestment is '***fair and reasonable***' to HCF's shareholders (excluding HNG and its associates), in the absence of a Superior Proposal.

A copy of the Independent Expert's Report is set out in Annexure A. Shareholders are urged to carefully read the Independent Expert's Report in full.

2.4 The Independent Board Committee unanimously recommends that HCF Shareholders vote in favour of all resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Divestment is fair and reasonable to Non-Associated HCF Shareholders

The Independent Board Committee has assessed the merits of the Divestment and Distribution and unanimously recommends that HCF Shareholders vote in favour of all resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Divestment is ***fair and reasonable*** to Non-Associated HCF Shareholders.

The Independent Board Committee recommendation is based on their consideration of:

(a) the reasons to vote in favour or against the Divestment and Distribution as summarised in Sections 2 and 3;

(b) the terms of the Divestment, Buy-Back and Distribution as summarised in Sections 4 to 6;

(c) the assessment of the risks summarised in Section 9; and

(d) the Independent Expert's Report, as set out in Annexure A.

Each of the Independent Board Committee members intend to vote their HCF Shares in favour of all Resolutions.

2.5 If the Divestment does not proceed, the HCF share price may fall in the near term and HCF Shareholders will continue to be exposed to the commercial risks of HCF's business

On 10 January 2025, being the last trading day prior to the announcement of the Divestment, the closing price of HCF Shares was $0.76. Since that announcement, the HCF Share price has increased by 5.9% to a closing price of $0.805 on 28 February 2025).

If the Divestment does not complete (including as a result of HCF Shareholders not approving any of the Resolutions in the accompanying Notice of Meeting) the price of HCF Shares on the ASX may fall, including to a share price that is below the closing price of HCF Shares on 10 January 2025.

The current price of HCF Shares can be obtained from the ASX website (www.asx.com.au).

In addition, if the Divestment and Distribution do not proceed, HCF Shareholders will continue to be exposed to the ongoing commercial risks and uncertainty associated with HCF's investment business. These risks are set out in detail in Section 9. These risks include, but are not limited to:

(a) (**scale risk**) the size of HCF's investment portfolio is sub-optimal, with total assets of only $24.4 million as at 31 December 2024. There is no guarantee or assurance that HCF will be able to raise additional equity, either at all, or on favourable terms, or otherwise grow HCF's investment portfolio to an optimum size to achieve various scale benefits;

(b) (**strategy and manager performance risk**) the success and profitability of HCF rests on HGIM's ability to select companies which increase in value over time and which are in accordance with the HCF's investment guidelines and objectives. A failure by HGIM to comply with these expectations may adversely impact HCF and the value of HCF Shares;

(c) (**market risk**) the prices of individual securities listed on share markets such as ASX may fluctuate and underperform over extended periods of time. The value of listed securities may rise and fall depending on a range of factors beyond HCF's control, including general economic conditions, movements in inflation rates, interest rates, foreign exchange rates, and commodity prices, changes to government policy or legislation, or events such as natural disasters, pandemics, global hostilities and acts of terrorism;

(d) (**pricing risk**) there is a risk that HCF Shares may trade on ASX at a discount to the net tangible asset value of the investment portfolio on a per share basis and the performance of the share price may not be correlated with the performance of the investment portfolio; and

(e) (**microcap companies risk**) HCF invests in ASX-listed entities, which it considers to be 'micro capitalisation companies' – that is, listed companies with a market capitalisation of less than $300 million. Micro capitalisation companies tend to be of higher risk than companies with a greater market capitalisation for a variety of differing factors. Accordingly, HCF is exposed to the speculative risks which are inherent in micro capitalisation companies.

2.6 HCF has not received any Superior Proposal

HCF has not received or become aware of any Superior Proposal since the announcement of the Divestment on 13 January 2025 and the Independent Board Committee are not aware of any Superior Proposal that is likely to emerge.

2.7 HCF Shareholders will retain exposure to a listed vehicle with upside potential

Following completion of the Divestment and Distribution, HCF will be a listed vehicle without any debts or liabilities, which may be able to create further shareholder value.

3 Reasons why you may choose to vote against the Divestment or Distribution

3.1 You may not agree with the Independent Board Committee's recommendation and/ or the Independent Expert's conclusion

Notwithstanding the unanimous recommendation of the Independent Board Committee and the conclusion of the Independent Expert, you may believe that the Divestment and/ or the Distribution is not in your best interests.

The Independent Board Committee and Independent Expert are each making judgements based on future trading conditions and events which cannot be predicted with any certainty and which may prove to be inaccurate (positively or negatively).

HCF Shareholders are not obliged to follow the recommendation of the Independent Board Committee or agree with the conclusion of the Independent Expert.

3.2 You may not wish to have direct exposure to HNG

HCF Shareholders are currently exposed to certain risks by virtue of holding HCF Shares. Following completion of the Divestment and Distribution, Eligible Shareholders will become shareholders in HNG, which has a different risk profile to HCF.

Completion of the Divestment and Distribution may present a disadvantage if a HCF Shareholder does not want to change their current investment profile. HCF Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of HCF and they may incur transaction costs in undertaking any new investment.

HCF Shareholders should read this Explanatory Memorandum carefully to understand the implications of the Divestment and Distribution and should seek investment, legal, or other professional advice in relation to their own circumstances. Further information about HNG can be found in Section 8.

3.3 Consideration Shares may trade below the current price

The price at which the Consideration Shares trade on ASX after the Divestment and Distribution is implemented is not fixed and subject to fluctuation for various reasons beyond HCF's control, including economic factors, HNG's performance and market sentiment. There is no guarantee that the value of the Consideration Shares will increase in value or trade at or above the issue price of $0.30 per share.

In addition, there is no guarantee that the consideration shares post distribution will, over time, trade in line with, or above, the Independent Expert's assessed value per Consideration Share of $0.28 to $0.31.

3.4 The tax consequences of the Distribution may not suit your current financial position

The Distribution may trigger taxation consequences for HCF Shareholders, such as the realisation of a capital gain or a capital loss. A general statement on the likely Australian taxation implications of the Distribution is set out in Section 10. This statement is expressed in general terms only and HCF Shareholders should seek professional advice regarding the taxation consequences of the Distribution which are applicable to their own circumstances.

3.5 Shareholders may consider that there is potential for a Superior Proposal to emerge

If the Divestment completes, HCF will no longer own the Portfolio Assets. HCF Shareholders may believe that there is the potential for a Superior Proposal to be made in the foreseeable future in respect of HCF Shares or the Portfolio Assets.

The Independent Board Committee has not received or become aware of any Superior Proposal since the announcement of the Divestment, and it does not consider it likely that a Superior Proposal will be received by HCF (or otherwise emerge) before the date on which the Divestment is currently expected to complete.

4 Summary of the Divestment

4.1 HCF Shareholder approval for the Divestment

Pursuant to Resolutions 1 and 2, HCF is seeking HCF Shareholder approval for the Divestment (being the sale of all of its Portfolio Assets to HNG) and the disposal of HCF's main undertaking as a result of the Divestment.

Resolutions 1 and 2 are ordinary resolutions and must be approved by a simple majority of votes cast by HCF Shareholders (excluding HNG).

4.2 Summary of the Divestment

As described in Section 1.1, HCF has agreed to sell, and HNG has agreed to purchase, all of HCF's rights, title and interests in the Portfolio Assets under the terms of the Sale Agreement, subject to the satisfaction or waiver of a number of conditions precedent.

The Portfolio Assets comprise all of HCF's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.

The Retention Amount is a cash amount to be retained by HCF to cover its expected transaction costs, tax liabilities, liabilities under the Investment Management Agreement and other operational costs to fund its activities post completion. HCF estimates that the Retention Amount will be between approximately $300,000 and $600,000. However, the exact amount will be determined prior to completion having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under the Investment Management Agreement and HCF's financial position at the time of such determination.

The consideration for the Portfolio Assets, comprises the Buy-Back and cancellation by HCF of all HCF Shares held by HNG and issue of the Consideration Shares by HNG to HCF at an issue price of $0.30 per share.

4.3 Summary of Sale Agreement

A summary of the key terms of the Sale Agreement is set out below:

(a) **Parties**

The Sale Agreement is between HCF as seller and HNG as buyer.

(b) **Sale of Portfolio Assets**

Conditional on and with effect from the date of completion occurring, HNG has agreed to purchase all of the Portfolio Assets held by HCF.

(c) **Calculation of Consideration**

The total Consideration for the Portfolio Assets will be a dollar amount calculated as follows:

(N x $1.00) – D – R

where:

(i) **N** = the aggregate number of HCF Shares on issue immediately prior to completion of the Divestment and Buy-Back;

(ii) **D** = the aggregate amount of any dividends declared or paid by HCF before the completion date; and

(iii) **R** = the Retention Amount.

(d) **Provision of Consideration**

The Consideration comprises the following:

(i) (**buy-back and cancellation of HCF shares held by HNG**) the Buy-Back and cancellation by HCF of all HCF Shares held by HNG at the Buy-Back Price; and

(ii) (**issue of Consideration Shares**) for the balance Consideration – the issue of Consideration Shares by HNG to HCF, at an issue price of $0.30 per share.

(e) **Conditions precedent**

Completion of the Divestment under the Sale Agreement is conditional upon the satisfaction or waiver of the following conditions precedent:

(i) (**HCF Shareholder approval**) HCF Shareholder approval for the purposes of:

(A) ASX Listing Rule 10.1.3, for the disposal of substantial assets to a person who is a substantial (10%+) holder in HCF;

(B) ASX Listing Rule 11.2, for the disposal of HCF's main undertaking;

(C) section 257D(1)(a) of the Corporations Act, for the selective buy-back and cancellation of all HCF Shares which are held by HNG; and

(D) section 256C(1) of the Corporations Act, for the reduction in the share capital of HCF, by HCF making a pro rata distribution in-specie of the Consideration Shares to all Eligible Shareholders;

(ii) (**Independent Expert's Report**) the Independent Expert's Report continuing to maintain its conclusion that the Divestment is ***'fair and reasonable'*** to Non-Associated HCF Shareholders;

(iii) (**Buy-Back**) completion of the Buy-Back and cancellation of all HCF Shares held by HNG; and

(iv) (**material NTA change**) no material change occurring in respect of the net tangible asset backing per HCF Share after all taxes, as reported by HCF on ASX, during the period prior to completion.

(f) **Conduct of business prior to completion**

Until completion, HCF will continue to operate in the ordinary course of business, consistent with past practices and observe its obligations under the Investment Management Agreement, including restrictions under the Sale Agreement on the disposal of material assets, modifying or terminating the terms of material contracts and issuing shares.

(g) **Expected completion date**

Completion of the Divestment is scheduled to occur on or around Thursday, 17 April 2025, provided that the General Meeting is held as scheduled on Friday, 11 April 2025.

If there is any delay in holding the General Meeting, the completion date for the Divestment will be 4 business days after the delayed General Meeting date, or such other date as agreed by the parties in writing.

The Distribution is scheduled to occur 6 business days after completion of the Divestment.

(h) **Warranties**

Under the Sale Agreement, both parties have given representations and warranties as to their corporate standing, solvency and authority to contract. In addition, HCF has provided limited representations and warranties to HNG as to its clear title to the Portfolio Assets and there being no infringements, disputes or claims relating to the assets.

(i) **Termination**

The Sale Agreement may be terminated by either party:

(i) if an insolvency event has occurred in respect of the other party;

(ii) if the other party is in breach of an obligation under the Sale Agreement and, if capable of being rectified, has not rectified that breach within 5 business days of being given a notice setting out the substance of the breach; or

(iii) if a condition precedent is not satisfied or waived by the relevant condition satisfaction date, becomes incapable of being satisfied, or does not remain satisfied at all time before completion, provided the terminating party has complied with its obligations under the Sale Agreement.

The Sale Agreement may also be terminated by HNG if the Independent Board Committee changes, withdraws or adversely modifies its recommendation in favour of the Divestment (**Termination Event**).

(j) **Reimbursement fee**

HCF has agreed to pay HNG a reimbursement fee of $50,000 (plus GST) if the Sale Agreement is terminated by HNG due to a Termination Event, unless such event occurred after:

(i) the Independent Expert either concluded that the Asset Sale is not *'fair and reasonable'* to the Non-Associated HCF Shareholders or adversely changed its previously given opinion in the Independent Expert's Report; or

(ii) the General Meeting has been held and HCF Shareholders (excluding HNG) did not approve the resolutions in the accompanying Notice of Meeting by the requisite majorities.

(k) **Quotation of Consideration Shares and Distribution**

As soon as practicable after completion, HNG must apply for quotation of the Consideration Shares on the ASX and HCF must proceed with the Distribution to Eligible Shareholders and capital reduction.

4.4 ASX Listing Rules 10.1 and 11.2

ASX Listing Rule 10.1 provides that an entity must not dispose of, or agree to dispose of, a 'substantial asset' to, any of the following persons without shareholder approval:

(a) a related party of the entity (ASX Listing Rule 10.1.1);

(b) a child entity of the entity (ASX Listing Rule 10.1.2);

(c) a person who is, or was at any time in the 6 months before the transaction, a substantial (+10%) holder in the entity (ASX Listing Rule 10.1.3);

(d) as associate of a person referred to in ASX Listing Rules 10.1.1 to 10.1.3 (ASX Listing Rule 10.1.4); or

(e) a person whose relationship to the entity or a person referred to in ASX Listing Rules 10.1.1 to 10.1.14 above is such that, in ASX's opinion, the transaction should be approved by shareholders.

Under the Divestment, HCF will sell the Portfolio Assets to HNG. HNG currently holds 4,974,756 HCF Shares representing 20.4% of HCF's total issued share capital, and is therefore a substantial holder of HCF for the purposes of ASX Listing Rule 10.1.3.

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value or the value of the consideration for it is, or in ASX's is opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules. The Portfolio Assets constitute a substantial asset for the purposes of ASX Listing Rule 10.1.

ASX Listing Rule 11.2 provides that an ASX-listed company must obtain the approval of its shareholders before it disposes its main undertaking. HCF considers that its business of managing and investing the Portfolio Assets constitutes its main undertaking for the purposes of ASX Listing Rule 11.2.

Accordingly, HCF Shareholder approval is required under ASX Listing Rules 10.1 and 11.2 for the Divestment to proceed.

If all Resolutions are passed (including Resolutions 1 and 2 which relate to ASX Listing Rules 10.1 and 11.2), HCF will be able to proceed with the Divestment on the terms and conditions set out in this Explanatory Memorandum.

If any Resolution is not passed (including Resolutions 1 and 2 which relate to ASX Listing Rules 10.1 and 11.2), HCF will not be able to proceed with the Divestment and HCF will continue to own the Portfolio Assets and operate its business as it does at the date of this Notice of Meeting.

4.5 Information required by ASX Listing Rule 10.5

The following information is required by ASX Listing Rule 10.5 for the purposes of shareholder approval under ASX Listing Rule 10.1.3.

ASX Listing Rule 10.5	Disclosure
The name of the entity to whom the entity is disposing a substantial asset	Hancock & Gore Limited ACN 009 657 961.

ASX Listing Rule 10.5	Disclosure
The category in ASX Listing Rules 10.1.1 – 10.1.5 that HNG falls within	ASX Listing Rule 10.1.3. HNG holds over 10% of HCF's issued share capital.
Details of the assets being disposed	See Section 4.2. The Portfolio Assets comprise all of HCF's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.
Consideration for the disposal	See Sections 4.3(c) and 4.3(d). HNG has agreed to provide the Consideration to HCF as follows: • the Buy-Back and cancellation by HCF of all HCF Shares held by HNG at the Buy-Back Price; and • by HNG issuing the Consideration Shares to HCF at an issue price of $0.30 per share.
Intended use of funds (if any) received for the disposal	HCF has agreed to distribute in-specie the Consideration Shares to Eligible Shareholders pursuant to the Distribution. No funds will be raised as part of the Buy-Back.
Timetable for completing the disposal	See Section 1.2.
If the disposal is occurring under an agreement, the material terms of the agreement	See Section 4.3.
Voting exclusion statement	A voting exclusion applies to Resolutions 1 and 2 – please see the notes to the Notice of Meeting.

4.6 Independent Board Committee recommendation on Resolutions 1 and 2

The Independent Board Committee believes that the Divestment is in the best interests of HCF Shareholders, and unanimously recommends that HCF Shareholders approve the Divestment by voting in favour of Resolutions 1 and 2, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Divestment is fair and reasonable to Non-Associated HCF Shareholders.

The Independent Board Committee recommendation is based on their consideration of:

(a) the reasons to vote in favour or against the Divestment as summarised in Sections 2 and 3;

(b) the terms of the Divestment as summarised in Section 4;

(c) the assessment of the risks summarised in Section 9; and

(d) the Independent Expert's Report, as set out in Annexure A.

Each of the Independent Board Committee members intend to vote their HCF Shares in favour of Resolutions 1 and 2.

5 Summary of the Buy-Back

5.1 HCF Shareholder approval for the Buy-Back

Pursuant to Resolution 3, HCF is seeking HCF Shareholder approval for the Buy-Back, being the buy-back and cancellation of all HCF Shares which are held by HNG.

Resolution 3 is a special resolution and must be approved by 75% of votes cast by HCF Shareholders (excluding HNG).

5.2 Summary of the Buy-Back

As described in Section 1.1, HCF has agreed, as part of the Divestment, to buy-back all of the HCF Shares held by HNG at the Buy-Back Price. HCF will satisfy its obligation to pay HNG the Buy-Back Price by the transfer of Portfolio Assets to HNG as part of the Divestment.

Any HCF Shares bought back will then be cancelled in accordance with the Corporations Act, with the result that the total number of HCF Shares on issue will be reduced by the number of HCF Shares held by HNG.

Completion of the Buy-Back is a condition precedent to completion of the Divestment, and the intention is for these two transactions to occur contemporaneously on the same date.

5.3 Corporations Act requirements

The Corporations Act provides that the rules relating to share buy-backs are designed to protect the interests of shareholders and creditors by addressing the risk of these transactions leading to the company's insolvency; seeking to ensure fairness between the company's shareholders; and requiring the company to disclose all material information.

In particular, section 257A of the Corporations Act provides that a company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

In accordance with section 257D(1)(a) of the Corporations Act, a selective buy-back must be approved by a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates.

Section 257D(2) of the Corporations Act requires that a company must include in the notice of meeting a statement setting out all information known to the company that is material to the decision on how to vote on the applicable buy-back resolution. However, the company does not have to disclose information if it would be unreasonable to require the company to do so, because the company had previously disclosed the information to shareholders.

Section 257H(3) of the Corporations Act provides that immediately after the registration of the transfer to the company of shares bought back, the shares are cancelled.

In accordance with section 257D(2) of the Corporations Act and *ASIC Regulatory Guide 110: Share buy-backs*, HCF provides the following information in relation to the proposed Buy-Back:

(a) **Terms of the Buy-Back**

The Buy-Back is a key element of the Sale Agreement between HCF and HNG in respect of the Divestment. The parties have agreed the following material terms and conditions relating to the Buy-Back:

(i) (**sale and buy-back**) HNG has agreed to provide the Consideration to HCF, in part, by way of the Buy-Back and cancellation of all HCF Shares held by HNG at the Buy-Back Price;

(ii) (**Buy-Back Price**) the Buy-Back Price will be $1.00 per HCF Share, being an amount equal to the HCF Share price implied by the Divestment before deducting the Retention Amount and any dividends declared or paid by HCF before completion of the Divestment;

(iii) (**conditions precedent and completion**) completion of the Buy-Back is a condition precedent to completion of the Divestment, and the intention is for these two transactions to occur contemporaneously on the same date, which is expected to be Thursday, 17 April 2025. The Divestment and the Buy-Back are both conditional on HCF Shareholder approval as described in Section 4.3(e) above; and

(iv) (**cancellation of shares**) immediately after the registration of the transfer of the HCF Shares which are bought back, such HCF Shares will be cancelled in accordance with section 247H of the Corporations Act and HCF will, as soon as practicable after such cancellation, notify ASIC of the cancellation.

(b) **Reasons for the Buy-Back**

The Buy-Back is a key element of the Sale Agreement between HCF and HNG in respect of the Divestment. HNG has agreed to provide the Consideration, in part, to HCF by way of the Buy-Back and cancellation by HCF of all HCF Shares held by HNG at the Buy-Back Price. See Section 1 for an overview of the Divestment including rationale for the transaction.

(c) **Director interests in the Buy-Back**

No HCF Directors will participate in the Buy-Back or have any interest in the Buy-Back that is in addition to or inconsistent with Non-Associated HCF Shareholders (ie HCF Directors who hold HCF Shares will receive the same benefits as all Non-Associated HCF Shareholders which result from the Buy-Back). Each HCF Directors' interest in HCF Shares is set out in Section 6.14.

(d) **Effect of the Buy-Back on HCF**

See Section 7 for further details on the effect of the Divestment, Buy-Back and Distribution on HCF, including on the capital structure, control and financial position of HCF.

(e) **Advantages and disadvantages of the Buy-Back**

The Buy-Back is a component of the broader Divestment and Distribution. See Sections 2 and 3 for further details on the reasons to vote in favour of, or against, the Divestment and Distribution.

(f) **Buy-Back Price**

The Buy-Back Price to be paid by HCF to HNG under the Buy-Back, will be $1.00 per HCF Share, being a dollar amount equal to the HCF Share price implied by the Divestment before deducting the Retention Amount and any dividends declared or paid by HCF before completion of the Divestment.

HCF will satisfy its obligation to pay HNG the Buy-Back Price by the transfer of Portfolio Assets to HNG as part of the Divestment.

(g) **Source of funds**

HCF will fund the Buy-Back through the sale of its Portfolio Assets to HNG under the Divestment. See Section 4.2 for further details on the Portfolio Assets.

(h) **Trading price of HCF Shares**

To provide an indication of the recent market price of HCF's Shares, the closing price on Friday, 28 February 2025 was $0.805. The highest and lowest closing prices for HCF's Shares on the ASX during the previous three months were $0.76 and $0.91 respectively.

(i) **Other material information**

There is no other information material to the making of a decision by HCF Shareholders whether or not to vote in favour of Resolution 3, being information that is known to the Independent Board Committee, which has not previously been disclosed to HCF Shareholders, other than as set out in this Notice of Meeting and Explanatory Memorandum. A voting exclusion applies to Resolution 3 – please see the notes to the Notice of Meeting.

5.4 Independent Board Committee recommendation on Resolution 3

The Independent Board Committee believes that the Buy-Back is in the best interests of HCF Shareholders, and unanimously recommends that HCF Shareholders approve the Buy-Back by voting in favour of Resolution 3, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Divestment is fair and reasonable to Non-Associated HCF Shareholders.

The Independent Board Committee recommendation is based on their consideration of:

(a) the reasons to vote in favour or against the Divestment (which comprises the Buy-Back) as summarised in Sections 2 and 3;

(b) the terms of the Buy-Back as summarised in Section 5;

(c) the assessment of the risks summarised in Section 9; and

(d) the Independent Expert's Report, as set out in Annexure A.

Each of the Independent Board Committee members intend to vote their HCF Shares in favour of Resolution 3.

6 Summary of the Distribution

6.1 HCF Shareholder approval for the Distribution

Pursuant to Resolution 4, HCF is seeking HCF Shareholder approval for the Distribution, being the proposed equal capital reduction to be satisfied by way of a pro-rata distribution in-specie of the Consideration Shares to Eligible Shareholders of HCF.

Resolution 4 is an ordinary resolution and must be approved by a simple majority of votes cast by HCF Shareholders.

6.2 Summary of the Distribution

As described in Section 1.1, HCF has entered into the Sale Agreement pursuant to which HCF has agreed to sell all of its Portfolio Assets to HNG, subject to the satisfaction or waiver of a number of conditions precedent.

Under the terms of the Sale Agreement, HNG will issue the Consideration Shares to HCF and, subject to completion occurring, HCF is required to distribute all of the Consideration Shares to Eligible Shareholders.

As noted in Section 4.3(e), the transactions under the Sale Agreement are conditional on a number of customary conditions precedent, including obtaining the shareholder approvals the subject of this General Meeting.

See Sections 2 and 3 for further details on the reasons to vote in favour of, or against, the Divestment and Distribution.

6.3 Corporations Act requirements

HCF intends to effect the Distribution by way of an equal reduction of capital under Chapter 2J.1 of the Corporations Act, which must be approved by an ordinary resolution of HCF Shareholders at a general meeting in accordance with the requirements of section 256C of the Corporations Act.

Section 256B of the Corporations Act provides that HCF may only reduce its share capital if the reduction is fair and reasonable to HCF shareholders as a whole; does not materially prejudice HCF's ability to pay its creditors; and is approved by HCF Shareholders under section 256C of the Corporations Act.

(a) Fair and reasonable to HCF Shareholders as a whole

Under the Distribution, each HCF Shareholder will be treated equally and in the same manner (subject to the treatment of Ineligible Shareholders, as detailed in Section 6.5). The Distribution will occur on a pro rata basis and the proportionate ownership interest in HCF of each HCF Shareholder will remain the same before and after the Distribution.

Additionally, the Distribution will result in HCF Shareholders moving from having an indirect ownership in HNG (through their ownership of the Consideration Shares during the short period of time following completion of the Divestment) to direct ownership. The Independent Board Committee considers this to be reasonable.

Accordingly, the Independent Board Committee believes that the Distribution is fair and reasonable to HCF Shareholders as a whole.

(b) No material prejudice to HCF’s ability to pay its creditors

The Independent Board Committee has reviewed the assets and liabilities of HCF (including its contingent liabilities) and considers that the Distribution will not result in HCF being insolvent at the time of, or as a result of, the Distribution and will not materially prejudice HCF’s ability to pay its creditors.

(c) Approval by HCF Shareholders

HCF is seeking approval from HCF Shareholders pursuant to Resolution 4, as required by section 256C(1) of the Corporations Act.

6.4 Eligible Shareholders

All persons who are registered as a holder of HCF Shares with an address in Australia or New Zealand as at the Distribution Record Date are entitled to participate in the Distribution.

6.5 Ineligible Shareholders and Sale Agent

HCF Shareholders with an address outside of Australia or New Zealand as at the Distribution Record Date (**Ineligible Shareholders**) may be subject to foreign securities laws and regulatory requirements in the jurisdiction. These laws and regulations may restrict or prohibit HCF from distributing the Consideration Shares to such Ineligible Shareholders.

The Independent Board Committee considers that it is impracticable to transfer Consideration Shares to Ineligible Shareholders having regard to:

(a) the number of Ineligible Shareholders outside of Australia and New Zealand;

(b) the number of Consideration Shares those Ineligible Shareholders would otherwise have been entitled to; and

(c) the cost of complying with the legal requirements and regulations in each of the jurisdictions concerned.

Accordingly, HCF will not distribute the Consideration Shares to Ineligible Shareholders (**Withheld Consideration Shares**). Alternatively, HCF will appoint a Sale Agent to receive and sell the Withheld Consideration Shares on behalf of Ineligible Shareholders.

The Sale Agent will use its best endeavours to sell the Withheld Consideration Shares on behalf of Ineligible Shareholders. It will pay the net proceeds of sale (less reasonable costs) to the Ineligible Shareholders in proportion to the number of Considerations Shares that each Ineligible Shareholder would have received otherwise received out of the total Consideration Shares.

HCF may deduct its costs of dealing with the Withheld Consideration Shares (including the Sale Agent's costs of acting as sale agent), on a proportionate basis, from any amount otherwise payable to each Ineligible Shareholder.

If the Sale Agent sells any Withheld Consideration Shares for an Ineligible Shareholder as outlined above, it will take reasonable steps to obtain a fair market price for those Withheld Consideration Shares. The price obtained for the Withheld Shares may be more or less than the notional value of the Consideration Shares under the Divestment and Distribution.

HCF may also appoint the Sale Agent to sell any excess Consideration Shares which are held by HCF due to the of fractional entitlements. The proceeds derived from the sale of those Consideration Shares will be remitted to HCF (or to the Australian Tax Office , as applicable) and not to HCF Shareholders.

6.6 Distribution Record Date

The Distribution Record Date is expected to occur at 7.00pm (Sydney time) on Thursday, 24 April 2025. Please refer to the indicative timetable in Section 1.4 for further information. The Distribution Record Date will be used to determine which HCF Shareholders are eligible to participate in the Distribution (either as an Eligible Shareholder or an Ineligible Shareholder).

6.7 Number of Consideration Shares being distributed

The Independent Board Committee intends to distribute all Consideration Shares pursuant to the Distribution.

As at the date of this Notice of Meeting, there are 24,381,234 HCF Shares on issue. It is not expected that any additional HCF Shares will be issued prior to the Distribution Record Date.

The total number of Consideration Shares to be distributed to HCF Shareholders collectively (and therefore the number Consideration Shares that each HCF Shareholder will receive on a per HCF Share basis) will depend on the exact value of the Consideration. The Consideration will be calculated in accordance with the formula in Section 4.3(c), and depends on the Retention Amount to be determined prior to completion having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under the Investment Management Agreement and HCF's financial position at the time of such determination.

The below table provides an indication of the expected Distribution ratio in certain circumstances (for illustrative purposes only):

Indicative Consideration	Indicative number of Consideration Shares	Indicative Distribution ratio[6]
$24,081,234[7]	63,688,260	3.28 Consideration Shares for each HCF Share
$23,781,234[8]	62,688,260	3.23 Consideration Shares for each HCF Share

6.8 Entitlement to Consideration Shares

Each Eligible Shareholder's entitlement to receive Consideration Shares under the Distribution (**Entitlement**) will be proportional to their HCF shareholding as at the Distribution Record Date.[9] For instance, an Eligible Shareholder holding 1% of the issued HCF Shares at the Distribution Record Date will be entitled to receive 1% of the total number of Consideration Shares, subject to rounding of fractional entitlements and any applicable withholding tax.

If the determination of an Entitlement results in an Eligible Shareholder receiving a fraction of a Consideration Share, the Entitlement will be rounded down to the closest whole number.

6.9 Prospectus disclosure

The invitation to HCF Shareholders to vote on Resolution 4 constitutes an "offer" for the purposes of Chapter 6D of the Corporations Act to transfer the Consideration Shares to Eligible Shareholders pursuant to the Distribution, for which a prospectus is required unless a statutory exception applies.

The Consideration Shares are to be offered under the HNG Prospectus (annexed as Annexure B to this Explanatory Memorandum) which has been prepared by HNG in accordance with Chapter 6D of the Corporations Act. The offer will therefore be made with disclosure required under the Corporations Act. Accordingly, the transfer of the Consideration Shares by HCF to Eligible Shareholders under the Distribution will not require additional Disclosure. Eligible Shareholder will be able to on-sell or otherwise dispose of their Consideration Shares within the first 12 months of receiving the Consideration Shares, without further disclosure.

6.10 Rationale for the Distribution

See Sections 2 and 3 for further details on the reasons to vote in favour of, or against, the Distribution.

6.11 Effect of the Distribution on HCF

See Section 7 for further details on the effect of the Divestment, Buy-Back and Distribution on HCF, including on the capital structure, control and financial position of HCF.

[6] Subject to rounding of fractional entitlements.

[7] Assumes aggregate amount of Retention Amount and HCF pre-completion dividends is $300,000.

[8] Assumes aggregate amount of Retention Amount and HCF pre-completion dividends is $600,000.

[9] HCF Shareholders should note that the Distribution Record Date will occur after completion of the Buy-Back. Accordingly, HNG will not be an Eligible Shareholder and will not participate in the Distribution.

6.12 **Australian tax implications for shareholders**

See Section 10 for a general statement on the likely Australian taxation implications of the Distribution. This statement is expressed in general terms only and HCF Shareholders should seek professional advice regarding the taxation consequences of the Distribution which are applicable to their own circumstances.

6.13 **Chapter 2E of the Corporations Act**

Each of the HCF Directors will participate in the Distribution in their capacity as HCF Shareholders.

Chapter 2E of the Corporations Act requires shareholder approval to be obtained for a public company to give a financial benefit to a related party of that company (which includes a director of the company). Shareholder approval is not required if the giving of the financial benefit falls within an exception as set out in Chapter 2E.

The HCF Board has determined that the 'arm's length' exception in section 215 of the Corporations Act applies to the HCF Directors and their participation in the Distribution on the basis that the benefit is to be given to the HCF Directors in their capacity as HCF Shareholders and on the same terms as all other HCF Shareholders. As a result, it has been determined that HCF Shareholder approval of this financial benefit is not required for the purposes of Chapter 2E of the Corporations Act.

6.14 **HCF Directors interests**

As at the date of this Notice of Meeting, each HCF Directors' relevant interest in HCF Shares is set out below:

Director	Position	HCF Shares
David Groves	Non-Executive Chairman and Independent Board Committee member	98,835
Dennison Hambling	Non-Executive Director and Independent Board Committee member	39,886
Nicholas Atkinson	Executive Director and Portfolio Manager	75,869

6.15 **Other material information**

There is no other information material to the making of a decision by HCF Shareholders whether or not to vote in favour of Resolution 4, being information that is known to the Independent Board Committee, which has not previously been disclosed to HCF Shareholders, other than as set out in this Notice of Meeting and Explanatory Memorandum. A voting exclusion applies to Resolution 4 – please see the notes to the Notice of Meeting.

6.16 **Independent Board Committee recommendation on Resolution 4**

The Independent Board Committee believes that the Distribution is in the best interests of HCF Shareholders, and unanimously recommends that HCF Shareholders approve the Distribution by voting in favour of Resolution 4, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Divestment is fair and reasonable to Non-Associated HCF Shareholders.

The Independent Board Committee recommendation is based on their consideration of:

(a) the reasons to vote in favour or against the Distribution as summarised in Sections 2 and 3;

(b) the terms of the Distribution as summarised in Section 6;

(c) the assessment of the risks summarised in Section 9; and

(d) the Independent Expert's Report, as set out in Annexure A.

Each of the Independent Board Committee members intend to vote their HCF Shares in favour of Resolution 4.

7 Effect of the Divestment and Distribution on HCF

7.1 Overview

Following completion of the Divestment (including the Buy-Back) and Distribution, HCF will be a listed vehicle without any debts or liabilities. The HCF Board will consider its strategic options for the company, including:

(a) the ongoing board composition and management team; and

(b) whether to pursue a delisting from ASX and winding up or alternative opportunities to create shareholder value, including by way of acquisition, equity investments or strategic combination opportunities.

Per Guidance Note 12, ASX will not suspend quotation of the Shares for a period of at least 6 months after announcing the Divestment to allow time for HCF to complete the Divestment and Distribution, and to commence the legal process for the next phase of its business.

7.2 Financial effect of the Divestment and Distribution on HCF

The financial position of HCF following the Divestment and Distribution is based on a number of assumptions regarding future events, including successful implementation of the Divestment and Distribution and the precise value of the Retention Amount to be determined prior to completion having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under the Investment Management Agreement and HCF's financial position at the time of such determination.

Accordingly, the estimated figures provided to HCF Shareholders in this Section may differ from the actual financial position of HCF following the Divestment and Distribution.

(a) **Effect of the Divestment and Distribution on key balance sheet line items**

The pro-forma statement indicating the key balance sheet line items of HCF as at 30 December 2024, adjusted for the Divestment and Distribution and other assumptions noted below, is provided to assist HCF Shareholders to understand the effect of the Divestment and Distribution, relative to HCF’s most recently disclosed financial accounts.

The pro-forma statement has been extracted (in summary form) from the Half Year Report of HCF dated 25 February 2025 for the 6-month period ended 31 December 2024. The Half Year Report was reviewed by UHY Haines Norton Sydney, HCF's auditors, and lodged with ASX on 26 February 2025. The pro-forma statement has not been audited or reviewed.

The pro-forma statement is presented in abbreviated form and it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

	HY25 Statutory Balance Sheet (Reviewed) $	HY25 Pro-Forma Balance Sheet (Unaudited) $
Current Assets	23,958,284	600,000
Non-Current Assets	469,560	-
TOTAL ASSETS	**24,427,844**	**600,000**
Current Liabilities	589,590	490,741
Non-Current Liabilities	-	-
TOTAL LIABILITIES	589,590	**-**
NET ASSETS	**23,838,254**	**109,259**
TOTAL EQUITY	**23,838,254**	**109,259**

The pro-forma statement assumes that the pro-forma adjustments set out below have all occurred on 31 December 2024:

(i) completion of the Divestment, including the Buy-Back;

(ii) completion of the Distribution; and

(iii) aggregate amount of HCF's Retention Amount and any dividends declared or paid by HCF before completion of the Divestment is $600,000 (see Section 7.2(c) below),

(together, the **Pro-Forma Assumptions**).

The pro-forma statement is intended to be illustrative only and will not reflect the actual position and balance of HCF as at the completion of the Divestment and Distribution.

(b) **Effect of the Divestment and Distribution on income statement**

The pro-forma consolidated income statement of HCF for the 6-month period ended 31 December 2024, adjusted for the Pro-Forma Assumptions, is provided to assist Shareholders to understand the effect of the Divestment and Distribution, relative to certain income statement line items.

The pro-forma consolidated income statement shows performance for the 6 month period to 31 December 2024 and has been extracted from the Half Year Report of HCF dated 25 February 2025 for the 6-month period ended 31 December 2024. The Half Year Report was reviewed by UHY Haines Norton Sydney, HCF's auditors, and lodged with ASX on 26 February 2025. The pro-forma statement has not been audited or reviewed.

The pro-forma consolidated income statement is presented in abbreviated form and it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

	HY25 Statutory Income Statement (Reviewed) $	HY25 Pro-Forma Income Statement (Unaudited) $
Dividends received	521,159	521,159
Fair value gains on financial instruments at fair value through profit and loss	(2,253,561)	(1,709,955)
Interest income	34,856	45,117
INCOME FROM ORDINARY ACTIVITIES	**(1,697,546)**	**(1,143,679)**
Transaction costs	-	(300,000)
Performance fees expense	-	-
Management fees expense	(138,083)	(157,426)
Professional fees expense	(26,193)	(31,793)
Employee benefits expense	(40,035)	(46,717)
Other expenses	(55,447)	(103,941)
OPERATING EXPENSES	(259,758)	**(639,877)**
PROFIT BEFORE INCOME TAX	(1,957,304)	**(1,783,556)**
Income tax expense	783,264	671,751
PROFIT AFTER INCOME TAX FOR THE PERIOD	**(1,174,040)**	**(1,111,805)**
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(1,174,040)**	**(1,111,805)**

The pro-forma consolidated income statement assumes that each of the Pro-Forma Assumptions have occurred on 31 December 2024. The pro-forma consolidated income statement is intended to be illustrative only and will not reflect the actual income or financial position of HCF as at the completion of the Divestment and Distribution.

(c) **Retention Amount**

HCF will retain Retention Amount, which is a cash amount to cover HCF's expected transaction costs, tax liabilities, liabilities under the Investment Management Agreement and other operational costs to fund its activities post completion.

HCF estimates that the Retention Amount will be between approximately $300,000 and $600,000. However, the exact amount will be determined prior to completion having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under the Investment Management Agreement and HCF's financial position at the time of such determination.

7.3 Effect of the Divestment and Distribution on HCF capital structure

The following table sets out HCF's current capital structure, adjusted for the Pro-Forma Assumptions, and assuming that no new securities are issued before the completion of the Divestment (including the Buy-Back) and Distribution. As at the date of this Notice of Meeting, HCF has not issued any securities other than HCF Shares.

Shareholder	HCF Shares before Divestment and Distribution		HCF Shares after Divestment and Distribution	
	Number	%	Number	%
HNG	4,974,756	20.4%	0	0%
All other HCF Shareholders	19,406,478	79.6%	19,406,478	100%
Total:	**24,381,234**	**100%**	**19,406,478**	**100%**

7.4 Effect of the Divestment and Distribution on control of HCF

The following table sets out HCF's Shareholders with voting power of 5% or more prior to the Divestment and Distribution as at the date of this Notice of Meeting. The table illustrates the shareholding and voting power of each of these substantial HCF Shareholders after completion of the Divestment (including the Buy-Back) and Distribution, based on the Pro-Forma Assumptions, and assuming that no new securities are issued before the completion of the Divestment and Distribution.

Substantial shareholder	Before Divestment and Distribution		After Divestment and Distribution	
	Number	%	Number	%
HNG	4,974,756	20.4%	0	0%
Perennial Value Management Limited	3,664,499	15.0%	3,664,499	18.9%
Constable Group	2,536,381	10.4%	2,536,381	13.1%
Fayrstede Pty Ltd	1,712,562	7.0%	1,712,562	8.8%

7.5 Tax impact on HCF from the Divestment and Distribution

Although the final tax impact of the Divestment and Distribution will depend on the specific circumstances existing at completion, HCF does not expect to incur any material cash tax liability in respect of the Divestment and Distribution.

As noted in Section 7.2(c) above, HCF will retain the Retention Amount, which is a cash amount to cover HCF's expected transaction costs, tax liabilities, liabilities under the Investment Management Agreement and other operational costs to fund its activities post completion.

7.6 **Intentions if the Divestment and Distribution proceeds**

Following completion of the Divestment and Distribution, HCF will be a listed vehicle without any debts or liabilities.

Non-Executive Directors, David Groves and Dennison Hambling have indicated their intention to step down from the HCF Board, and HCF intends to identify suitable replacement directors for the next phase of HCF's operations.

The reconstituted HCF Board will consider its strategic options for the company, including whether to pursue a delisting from ASX and winding up or alternative opportunities to create shareholder value including by way of acquisitions, equity investments or strategic combination opportunities.

The Investment Management Agreement will remain in place following Completion of the Divestment and Distribution. HCF has agreed to suspend the obligation on HGIM to provide investment management services under the Investment Management Agreement until such time as HCF holds at least $1 million in net assets.

HCF will retain the Retention Amount following Completion of the Divestment and Distribution. HCF estimates that the Retention Amount will be between approximately $300,000 and $600,000. However, the exact amount will be determined prior to completion having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under the Investment Management Agreement and HCF's financial position at the time of such determination.

HCF will continue to assess its medium to long term plans and will update HCF Shareholders in due course. Per Guidance Note 12, ASX will not suspend quotation of the Shares for a period of at least 6 months after announcing the Divestment to allow time for HCF to complete the Divestment and Distribution, and to commence the legal process for the next phase of its business.

7.7 **Intention if Divestment and Distribution does not proceed**

If the Divestment and Distribution is not approved by HCF Shareholders or otherwise not implemented for any reason, HCF will continue to own the Portfolio Assets and operate its business as it does at the date of this Notice of Meeting.

8 Information about HNG

8.1 **HNG Information**

The HNG Information in this Explanatory Memorandum has been prepared by HNG and is the responsibility of HNG. To the maximum extent permitted by law, none of HCF nor any of its respective directors, officers or advisers, is responsible for the accuracy or completeness of any HNG Information contained in the Explanatory Memorandum and disclaim any liability in this regard.

The Consideration Shares are to be offered to HCF under the HNG Prospectus which has been prepared by HNG in accordance with Chapter 6D of the Corporations Act. Please refer to the HNG Prospectus (annexed as Annexure B to this Explanatory Memorandum) for more detailed information in relation to HNG and the Consideration Shares.

HNG Shareholders should also refer to the ASX website at www.asx.com.au to access HNG's periodic and continuous disclosure for further information.

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8.2 **Overview of HNG**

HNG is a diversified investment company that aims to deliver superior long term investment returns to shareholders through a portfolio of operating investments led by strong business managers and a return focused balance sheet.

HNG's key business unit is the 100% owned Global Uniform Solutions, comprising Mountcastle Pty Ltd and Schoolblazer Ltd. HNG also has an investments and treasury business unit aimed at delivering enhanced risk adjusted returns and identifying new operating businesses, including an investment in Disruptive Packaging, an innovative global sustainable packaging company.

Further detail on HNG's business units and investments in contained in the Independent Expert's Report set out in Annexure A.

8.3 **HNG Board**

The HNG Board comprises:

Director	Biography
Sandy Beard Executive Chairman	Mr Beard has been the Executive Chairman of HNG since 29 October 2020. He has been a director of various companies such as Pure Foods Tasmania Ltd and Centrepoint Alliance Ltd. He was previously the CEO of CVC Limited. He is experienced in investee businesses, including assisting in acquisitions, divestments, capital raising and direct managerial roles. He currently holds a director position in Anagenics Limited and FOS Capital Limited.
Kevin Eley Non-Executive Director	Mr Eley was first appointed as a director of HNG in 1985. He has significant experience within the business, acting as the CEO between 1985 and 2010 and the Executive Chairman between June 2020 and October 2020. Mr Eley has also been the lead director on the board for Audit and Risk matters since 2018. He has served as a director in several Australian listed companies, including Milton Ltd and EQT Holdings Ltd. Mr Eley currently holds a director position at Pengana Capital Group Ltd. He is also a Chartered Accountant.
Angus Murnaghan Non-Executive Director	Appointed as a director of HNG in February 2023, Mr Murnaghan has over 30 years of experience in the Australian equities markets in senior roles. He has worked at several finance and advisory groups including UBS, Ord Minnett and held the role of Managing Director at Moelis & Company.
Steven Doyle Non-Executive Director	Mr Doyle has been Executive Chairman of Mountcastle since March 2023. He previously served as CEO of Lovisa Holdings Limited. He also worked as the Managing Director of the Leisure Division at Super Retail Group, where he developed the Boating Camping Fishing (BCF) chain across Australia and New Zealand.
Timothy James Non-Executive Director	Mr James joined HNG as a director in October 2024 following the acquisition of Schoolblazer Ltd. He is a co-founder of Schoolblazer and has over 25 years of experience in retail.

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8.4 **Securities and capital structure**

(a) **HNG securities on issue**

The table below summarises the capital structure of HNG as at the date of this Notice of Meeting:

Type of security	Number on issue
Ordinary shares on issue at the date of this Prospectus[10]	480,493,695
Existing performance rights	13,000,000

(b) **Substantial HNG Shareholders**

Based on filings to ASX, as at the date of this Notice of Meeting, HNG has received notifications from the following substantial holders in accordance with section 671B of the Corporations Act:

Shareholder	HNG Shares	Voting power
James Family Investments Ltd	68,000,777	14.15%
Perennial Value Management Limited	49,667,807	10.34%
AD & MP Beard ATF AD & MP Beard Superannuation Fund (and its associates)	37,272,332	7.76%

(c) **Group structure**

As at the date of this Notice of Meeting, HNG has the following material controlled entities/ subsidiaries as disclosed in its 2024 Annual Report:

Name	Country of incorporation	Ownership interest
HGL Investments Pty Ltd	Australia	100%
H&G Investment Management Ltd	Australia	100%
H&G Capital Ventures Pty Ltd	Australia	100%
Mountcastle Pty Ltd	Australia	100%
Schoolblazer Ltd	United Kingdom	100%
LW Reid Pty Ltd	Australia	100%
Trutex Pty Ltd	Australia	100%
Statesman Hats (PVT) Ltd	Sri Lanka	75%
DP Trust[11]	Australia	66%

[10] Includes 27,250,000 unquoted employee loan funded plan shares which rank equally with fully paid ordinary shares and will be become quoted on ASX subject to satisfaction of vesting conditions.

[11] DP Trust has ordinary and B class units. The Group holds 66% of the ordinary units. The B class units convert into ordinary units on the occurrence of prescribed conversion events at 10% of the outperformance of the Trust

8.5 Recent HNG share price performance

HNG's shares are listed on the ASX under the ASX code 'HNG'. As at Friday, 28 February 2025, the closing HNG share price on ASX was $0.805. The highest and lowest closing prices for HNG's shares on the ASX during the previous three months were $0.76 and $0.91 respectively.

8.6 Additional information

The Independent Expert's Report set out in Annexure A and HNG Prospectus set out in Annexure B contain further details regarding HNG.

9 Risk Factors

9.1 Introduction

The Independent Board Committee considers that it is appropriate for HCF Shareholders, in considering the Divestment and Distribution, to be aware that there are a number of risk factors associated with the Divestment and Distribution, as well as with respect to HCF, general and specific risks, which could materially adversely affect the future operating and financial performance of HCF and the value of its shares.

This Section 9 outlines:

(a) general risk factors (refer to Section 9.2);

(b) specific risk factors for HCF (refer to Section 9.3); and

(c) specific risk factors associated with the Divestment and Distribution (refer to Section 9.4).

If the Divestment and Distribution proceeds, HCF will be a listed vehicle without any debts, liabilities or material assets. Accordingly, HCF Shareholders will no longer be exposed to the majority of the risks set out in this Section 9.3. Eligible HCF Shareholders will receive shares in HNG following completion of the Distribution and therefore be exposed to the risks associated with HNG's business. A non-exhaustive list of risks associated with HNG's business is set out in the HNG Prospectus which is annexed as Annexure B. HCF Shareholders are strongly encouraged to consider those risks prior to voting on the resolutions in the Notice of Meeting.

If the Divestment and Distribution do not proceed (and in the absence of a Superior Proposal being implemented), then the risks in this Section 9 will continue to be relevant to HCF Shareholders as these risk factors are existing risks that relate to HCF and the industry in which it operates, or that are generally associated with an investment in listed securities. HCF Shareholders should carefully consider the risks discussed in this Section 9, as well as the other information contained in this Explanatory Memorandum generally, before voting on the resolutions.

The risks identified in this Section 9 do not take into account the investment objectives, financial circumstances or particular needs of individual HCF Shareholders and are not exhaustive. HCF Shareholders should consult their legal, financial, taxation or other professional adviser if they are unclear or uncertain about any matter mentioned in this Section 9 or elsewhere in this Explanatory Memorandum.

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compared to a 10% hurdle return. HNG holds 75% of the B class units with others held by its key management personnel.

9.2 General risk factors

In addition to the specific business risks below, there are a number of general risks associated with holding HCF Shares. As with any entity with listed securities on ASX, the future prospects and operating and financial performance of HCF and the value of HCF Shares may be affected by a variety of factors. These factors may include:

(a) changes in investor sentiment and overall performance of the Australian and overseas stock markets;

(b) changes in general business, industry cycles, and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;

(c) economic and political factors in Australia and overseas, including economic growth;

(d) changes in legislation and government, fiscal, monetary and regulatory policies including public and private healthcare insurance coverage and funding;

(e) uncertainty around the likelihood, timing, franking or quantum of future dividends;

(f) failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;

(g) changes in accounting or financial reporting standards; and

(h) changes in taxation laws (or their interpretation).

Deterioration of the general economic conditions, the Australian and overseas stock markets, and catastrophic events may also affect HCF's operating and financial position.

9.3 Specific risk factors for HCF

There are a range of business-specific risks associated with HCF Shareholders' current investment in HCF Shares, as set out below. HCF Shareholders will only continue to be exposed to the majority of these risks if the Divestment and Distribution do not proceed:

(a) Scale risk

The size of HCF's investment portfolio is sub-optimal, with total assets of only $24.4 million as at 31 December 2024. The success and long-term sustainability of HCF is significantly dependent on its ability to grow its investment portfolio to a scale sufficient to achieve operational efficiencies and enhance market presence. Achieving scale would enable HCF to benefit from a lower expense ratio, improved liquidity, and greater appeal to a broader range of investors.

There is a risk that HCF may be unable to gain raise additional equity, either at all or on favourable terms, to reach optimum size. If HCF is unable to achieve sufficient scale, it may face ongoing challenges, including restricted trading liquidity, sustained discounts to HCF's net tangible asset backing per HCF Share, and limited capacity to pursue attractive investment opportunities.

These constraints could necessitate a reduction in the scope and diversification of HCF’s investment portfolio, adversely affecting its construction and composition. This, in turn, may negatively impact HCF’s financial performance, operating results, and prospects for future grow

(b) **Strategy risk**

The success and profitability of HCF mostly rests on HGIM's ability to select companies which increase in value over time and which are in accordance with HCF's investment guidelines and objectives. A failure by HGIM to comply with these expectations may adversely impact HCF and the value of HCF Shares.

Investment strategies consisting of acquiring, holding and trading in listed entities are also subject to inherent risks, and the value of HCF's individual investments may fluctuate over time. The past performances of investments managed by the HGIM and personnel within its investment team cannot be relied on as indicators of HCF's future performance.

(c) **Manager performance risk**

The success and profitability of HCF relies on the continued performance of HGIM. If HGIM cannot successfully identify, monitor and capitalise on investment opportunities within its investment guidelines, there is a risk that HCF will be negatively impacted.

While the HCF implements processes and procedures to mitigate the risks associated with HGIM failing to adequately meet its performance objectives, there can be no guarantee that the HCF will achieve any particular investment return.

(d) **Licensing risk**

HGIM operates under an Australian Financial Services Licence (**AFSL**) in order to manage the investments of HCF. HGIM's continued oversight of the investments and implementation of the investment strategy is contingent on it maintaining its AFSL.

There is a risk that if HGIM's AFSL is restricted, suspended or terminated in the future, it would be prevented from overseeing HCF's investments and from carrying out the investment strategy. In such circumstances, HCF will be required to engage a new authorised financial services licensee to carry out the investment strategy in accordance with HCF's policies and guidelines, permitted investments and elements of investment.

Even if HCF were to be able to authorise another financial services licensee, there can be no guarantee that the new manager would meet or exceed the standards set presently achieved by HGIM.

(e) **Market risk**

The prices of individual securities listed on share markets such as ASX may fluctuate and underperform over extended periods of time. The value of listed securities may rise and fall depending on a range of factors beyond the control of HCF. Factors may be both domestic and international, or may be specific to the individual security.

The market prices of the shares of companies listed on a regulated exchange have seen wide fluctuations due to general domestic and international economic conditions, such as movements in inflation rates, interest rates, foreign exchange rates, and commodity prices, and changes to government policy or legislation. They have also been impacted by domestic and international events, such as natural disasters, pandemics, global hostilities and acts of terrorism.

HCF Shareholders are exposed to this risk both through their shareholding as well as through HCF’s underlying investment portfolio. While the investment portfolio has been formed to mitigate the effect of market risks, market risks cannot be eliminated entirely. If these risks were to arise, the value of HCF's underlying investments, and therefore the price of HCF Shares, may be materially impacted.

There is also a risk that HCF Shares may trade on ASX at a discount to the net asset value on a per Share basis and the performance of HCF Shares may not be correlated with the performance of the investment portfolio.

It is also notable that neither HGIM nor HCF can control the listed companies in which it invests. HCF may therefore be adversely affected by such companies' conduct, whether it be because of a fall in an investee company's value or because of potential reputational risk stemming from HCF's investments.

(f) **Key personnel risk**

The performance and success of HCF is contingent on its continued relationship with HGIM and, importantly, the personnel within its investment team. HCF is reliant on the expertise of HGIM's investment team to carry out the investment strategy.

If the relationship with HGIM were to cease, or key personnel within HGIM's investment team were to leave, there is a risk that the investment strategy would not be successfully implemented in the future. HCF has no rights to terminate the Investment Management Agreement in the event of a material change to the membership of HGIM's investment team.

(g) **Incentives risk**

The management fee and the performance fee under the Investment Management Agreement may create an incentive for HGIM to overstate the value of the underlying investments to obtain greater compensation and also make investments that are more speculative than it otherwise would have invested in had there not been such a fee in place. These risks may add risk and volatility to the investment portfolio.

(h) **Concentration risk**

HGIM is granted a wide discretion to select listed companies which align with the investment guidelines. This includes portfolio concentration and the relative weight of each company in the investment portfolio as compared to the value of the investment portfolio as a whole.

As HCF targets a concentrated portfolio of investments, there may be more volatility in the investment portfolio compared to the broader market as the investment portfolio is comprised of fewer securities than the broader market. HGIM seeks to construct the investment portfolio to minimise any concentration risk in accordance with HCF's policies, guidelines and permitted investments.

(i) **Industry risk**

HGIM and its underlying investments are subject to industry risk factors such as increased regulatory burdens, and the adverse effects of any changes to legislation and government policies generally that may affect their future performance and operation. These factors cannot be controlled by HCF. Risk factors specific to the industry of a portfolio company may arise which may adversely impact the performance of the underlying investments and HCF.

(j) **Micro capitalisation companies risks**

HCF invests in ASX-listed entities, which it considers to be 'micro capitalisation companies'. That is, listed companies with a market capitalisation of less than $300 million. Micro capitalisation companies tend to be of higher risk than companies with a greater market capitalisation for a variety of differing factors. For example, a micro capitalisation company may still be in an early stage of its development.

HCF is exposed to the speculative risks which are inherent in micro capitalisation companies. HGIM recognises this risk and seeks to mitigate this risk to the extent possible, including by constructing the investment portfolio in accordance with HCF's policies, guidelines and permitted investments. However, it should be noted that this risk cannot be eliminated entirely.

(k) **Conflicts of interest**

Conflicts of interest may arise in relation to the HGIM because it manages funds other than HCF's investment portfolio and because of the fee structure under the Investment Management Agreement (which comprises a management fee and a performance fee). HCF's Directors also hold a number of interests and positions which have the potential to give rise to conflicts of interest. HCF may be adversely affected if these conflicts of interest are not managed effectively.

(l) **Financial market volatility**

A fall in domestic or global equity markets, bond markets or the rate of change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may negatively affect the value of HCF's investments, the investment portfolio as a whole and the price at which HCF Shares trade.

(m) **Liquidity risk**

HCF invests in entities listed on ASX. The ability to sell shares is a function of the turnover of the shares at the time of sale. Turnover is a function of a variety of factors, namely the size of the relevant company and the cumulative investment intention of all current and possible shareholders in the relevant company at any one point in time.

As HCF may hold large positions in a portfolio company from time to time, a low level of liquidity in turnover may mean HCF may not be able to sell its investments at the time, in the volumes or at a price it intends, resulting in a loss to HCF.

(n) **Regulatory risk**

HCF, HGIM, and the listed companies in which HCF invests in, are subject to a number regulatory controls imposed by government and regulatory authorities.

HCF, HGIM, and the listed companies in which HCF invests are exposed to the risks associated with new laws and regulations, or changes to applicable laws and regulations (including changes to their interpretation). These risks (including the risk of non-compliance) may adversely impact the performance of HCF, and in turn, the price of HCF Shares.

(o) **Cybersecurity risk**

HCF may become a target for cybersecurity attacks. If this risk were to materialise, there is a chance that, amongst other things, HCF's operations would be suspended for an indefinite amount of time until such attack is addressed. This may in turn negatively affect HGIM's ability to implement the investment strategy during this period of time, and accordingly, HCF's performance.

To mitigate this risk, HCF employs systems and software which enhance its cyber resilience. However, HCF does not guarantee that these systems and software will eliminate all risks associated with cybersecurity attacks.

(p) **Accounting policy risk**

HGIM invests in listed companies on the proposition that their share price is at a discount to their fair value. Changes to accounting policies may influence how the fair value of these listed entities is determined, and in turn, materially affect HGIM's judgement of investment opportunities and the performance of the investment portfolio.

9.4 Specific risk factors associated with the Divestment and Distribution

Even if HCF Shareholders approve the Divestment and Distribution, it is possible that completion of the Divestment and Distribution may not occur, including for example, if any condition precedent in the Sale Agreement (as summarised in Section 4.3(e)) is not satisfied or waived. This may occur due to factors which are outside of HCF's control.

There is also a risk that either HCF or HNG seek to terminate the Sale Agreement on the grounds set out in Sections 4.3(i).

If the Divestment and Distribution does not occur, HCF would still incur significant costs and expenses in connection with the Divestment and Distribution, which would have a material adverse effect on HCF's financial position.

HCF has entered into the Sale Agreement in respect of the Divestment and Distribution, under which HCF has agreed to provide certain warranties (see summary in Section 4.3(h)). Whilst the Independent Board Committee is not aware of any breach of such warranties, there is a risk that unknown or unforeseen events may give rise to a claim which may require HCF to make payments to HNG under the Sale Agreement.

10 Australian tax implications for HCF Shareholders

10.1 Purpose of tax summary

The following is a summary of the Australian income tax treatment under the *Income Tax Assessment Act 1997* (Cth) (**ITAA97**) and the Income Tax Assessment Act 1936 (Cth) (**ITAA36**), at the date of this Notice of Meeting, of the Distribution for the HCF Shareholders. As the Divestment only impacts HCF and HNG, it is not dealt with in this summary.

A tax ruling has not been obtained from the Australian Taxation Office in relation to the Divestment and Distribution.

10.2 Who this tax summary applies to

This summary applies to HCF Shareholders (other than HNG and its associates) (**Australian Holders**) that:

(a) are residents of Australia for tax purposes;

(b) do not hold their HCF Shares (and do not derive any payments under the HCF Shares) in carrying on a business at or through a permanent establishment outside of Australia; and

(c) non-residents of Australia for tax purposes that hold their HCF Shares (and derive all payments under the HCF Shares) in carrying on a business at or through a permanent establishment in Australia.

This summary does not apply to non-Australian resident holders.

The summary is not exhaustive and, in particular, does not deal with the position of certain types of shareholders (including, without limitation, dealers in securities, custodians or other third parties who hold shares on behalf of any person).

The summary generally outlines the Australian taxation position of HCF Shareholders who hold their HCF Shares as long term investments on capital account. It is not intended to apply to HCF Shareholders who hold their HCF Shares as trading stock or acquire HCF Shares for the principal purpose of making a profit from a future disposal of those HCF Shares.

This summary is expressed in general terms only and HCF Shareholders should seek their own professional advice regarding the taxation consequences of the Distribution which are applicable to their own particular circumstances. This summary is not intended to be, nor should it be construed as, legal or tax advice to any particular HCF Shareholder.

10.3 Accounting for Divestment and Distribution

In connection with the Divestment and Distribution transactions, HCF will debit its share capital account (to the extent of the balance in that account) in proportion to each HCF Shareholders' percentage in HCF's share capital (including HNG's percentage) and will debit its retained profits (to the extent of the balance in that account, after providing for the Retention Amount) in proportion to each HCF Shareholders' percentage in HCF's retained profits (including HNG's percentage).

10.4 Amounts distributed out of HCF's share capital account

Where HCF Shareholders hold their HCF Shares on capital account and are Australian Holders, the amount distributed to the HCF Shareholders which is funded out of HCF's share capital account as part of the Distribution transaction would generally reduce the "cost base" of their HCF shares under Capital Gains Tax (**CGT**) event G1 (section 104-135 ITAA97).

To the extent that there is an excess above their cost base, that excess would generally give rise to a capital gain.

This capital gain may qualify for the 50% capital gains tax discount where the HCF Shareholders are resident individuals or trusts and they have held their HCF Shares for more than 12 months prior to the Distribution (the discount is 33⅓% for resident complying superannuation funds where they have held their HCF Shares for more than 12 months). Companies are not entitled to the capital gains discount. Any capital gain could potentially be offset by any available capital losses held by a HCF Shareholder.

If both the income rules and the capital gains tax rules apply, the income tax rules would take precedence and no capital gains tax discount would be available.

Where the cost base of the shares is not reduced to nil, a capital loss would generally arise but only once the HCF Shares are actually disposed of. This would generally only occur when the HCF Shares are subsequently sold (refer CGT event A1, section 104-10 ITAA97) or are otherwise cancelled and HCF is wound up (refer CGT event C2, section 104-25 ITAA97).

10.5 Amounts distributed out of HCF's retained profits

To the extent that the HCF Shareholders, that are Australian Holders, receive a franked dividend out of HCF's retained profits as part of the Distribution transaction, each HCF Shareholder would gross up the dividend by the franking credit and include the grossed up amount in their assessable income. They would then be entitled to a franking offset of an amount equivalent to the franking credit which can reduce the tax payable on their taxable income. Individuals and complying superannuation funds may be entitled to a refund of tax where their franking offset exceeds their tax otherwise payable.

10.6 **Non-application of streaming rules**

Because HCF will proportionally debit 100% of its share capital account to each HCF Shareholder (including HNG's percentage) and will proportionally debit 100% of its retained profits (after providing for the Retention Amount) in proportion to each HCF Shareholder (including HNG's percentage) under the Divestment and Distribution transactions, it is not expected that the capital streaming rules (eg sections 45A and 45B ITAA36) and dividend streaming rules (eg section 177EA ITAA36 and 204-30 ITAA97) should be applied by the Australian Taxation Office. However, ultimately, such application is at the discretion of the Australian Taxation Office.

10.7 **Non-application of selective cancellation of shares by listed public companies**

Distributions out of profits in consideration for the selective cancellation of shares are deemed to be unfranked dividends (refer para 202-45(k) ITAA97). However, this measure should not be relevant to HCF's Shareholders because the *in-specie* distribution would not give rise to a "cancellation" of any HCF Shares and the reduction of capital would not appear to be selective (it would be proportional). The HCF Shares will continue to exist after the Distribution transaction.

10.8 **Tax cost of HNG Shares for Eligible Shareholders**

The Distribution of HNG Consideration Shares to the Eligible Shareholders would be treated as a fresh acquisition of shares in HNG by the Eligible Shareholders at the time of the Distribution to the Eligible Shareholders. There would not be any capital gains tax rollover relief.

Because the Eligible Shareholders would not provide any money or other property for the HNG Consideration Shares as a result of the *in-specie* distribution of the HNG Consideration Shares to them by HCF, the Eligible Shareholders would be treated as acquiring their shares in HNG at market value under the market value substitution rule in section 112-20 (ITAA97). This market value would become the first element of each Eligible Shareholder's cost base in the HNG shares.

10.9 **Future sale of HNG Shares by Eligible Shareholders**

Where Eligible Shareholders ultimately dispose of their shares in HNG, they would have a capital gain if the capital proceeds exceed their cost base (initially set at market value).

This capital gain may qualify for the 50% capital gains tax discount where the Eligible Shareholders are resident individuals or trusts and they have held their HNG shares for more than 12 months prior to the disposal (the discount is 33⅓% for resident complying superannuation funds where they have held their HNG shares for more than 12 months). Companies are not entitled to the capital gains discount. Any capital gain could potentially be offset by any available capital losses held by an Eligible Shareholder.

If both the income rules and the capital gains tax rules apply, the income tax rules would take precedence and no capital gains tax discount would be available.

Where Eligible Shareholders dispose of their shares in HNG for less than their cost base, they would have a capital loss.

Schedule 1 – Definitions

Term	Meaning
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
ASX Listing Rules	means the listing rules of the ASX.
Australian Accounting Standards	means the accounting standards adopted by the Australian Accounting Standards Board.
Buy-Back	means the selective buy-back of all of the HCF Shares held by HNG at the Buy-Back Price under section 257D(1)(a) of the Corporations Act, which is the subject of Resolution 3 and in the form described in the Explanatory Memorandum.
Buy-Back Price	means $1.00 per HCF Share.
Chairman	means Mr David Groves, or the chair of the HCF Board appointed from time to time.
Consideration	means the aggregate consideration to be provided by HNG to HCF in consideration for the Portfolio Assets under the Sale Agreement, to be calculated in accordance with the formula in Section 4.3(c).
Consideration Shares	means all of the fully paid ordinary shares in the capital of HNG to be issued to HCF on completion of the Divestment in accordance with the Sale Agreement, and subsequently distributed in-specie to Eligible Shareholders (or, in respect of Ineligible Shareholders, the Sale Agent) on a pro-rata basis, subject to rounding of fractional entitlements and any applicable withholding tax.
Corporations Act	means the *Corporations Act 2001* (Cth).
Directed Proxy Forms	means a Proxy Form completed by a HCF Shareholder specifying that HCF Shareholder's voting decision in respect of a proposed resolution.
Distribution	means the reduction of capital and in-specie distribution of all of the Consideration Shares held by HCF, following completion of the Divestment, to Eligible Shareholders (or, in respect of Ineligible Shareholders, the Sale Agent) on a pro-rata basis, subject to rounding of fractional entitlements and any applicable withholding tax, which is the subject of Resolution 4 and in the form described in the Explanatory Memorandum.
Distribution Record Date	means the time and date on which the entitlements of HCF Shareholders to Consideration Shares under the Distribution is determined, which is expected to be 7.00pm (Sydney time) on Thursday, 24 April 2025.
Divestment	means the sale by HCF of all of its Portfolio Assets to HNG in accordance with the Sale Agreement, which is the subject of Resolutions 1 and 2 and in the form described in the Explanatory Memorandum.
Eligible Shareholder	means a HCF Shareholder that satisfies the conditions set out in Section 6.4.
Explanatory Memorandum	means the explanatory memorandum accompanying the resolutions contained in this Notice of Meeting.

Term	Meaning
General Meeting	means the extraordinary general meeting of HCF convened by this Notice of Meeting.
HCF	means H&G High Conviction Limited ACN 660 009 165.
HCF Board	means the board of directors of HCF.
HCF Director	means any director of HCF.
HCF Share	means a fully paid ordinary share in the capital of HCF.
HCF Shareholder	means the registered holder of a HCF Share.
HGIM	means H&G Investment Management Limited ACN 125 580 305 (AFSL 317 155).
HNG	means Hancock & Gore Limited ACN 009 657 961.
HNG Information	means the information regarding HNG provided by HNG to HCF in writing for inclusion in this Notice of Meeting, predominantly being (other than to the extent these sections contain or rely on information prepared by HCF) Section 8 (Information about HNG) and the HNG Prospectus.
HNG Prospectus	means the prospectus prepared by HNG dated on or around Wednesday, 12 March 2025 set out in Annexure B.
Independent Board Committee	means the independent board committee established by the HCF Board comprising Mr David Groves and Mr Dennison Hambling.
Independent Expert	means Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619.
Independent Expert's Report	means the report by the Independent Expert set out in Annexure A.
Ineligible Shareholder	means a HCF Shareholder that is not an Eligible Shareholder.
Investment Management Agreement	means the Investment Management Agreement between HCF and HGIM dated on or around 12 July 2022.
Non-Associated HCF Shareholders	means all HCF Shareholders except for HNG and its associates.
Notice of Meeting	means this notice of general meeting and includes the Explanatory Memorandum.
Portfolio *Assets*	means all of HCF's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.
Proxy Form	means the proxy form attached to this Notice of Meeting.
Resolution	means a resolution contained in this Notice of Meeting.
Retention Amount	means a cash reserve to be retained by HCF to cover its expected transaction costs, tax liabilities, liabilities under its Investment Management Agreement and post-completion costs.

Term	Meaning
Sale Agent	means the person nominated by HCF to sell or facilitate the sale of Withheld Consideration Shares and any other Consideration Shares described in Section 6.5.
Sale Agreement	means the Asset Sale and Purchase Agreement between HCF and HNG dated on or around Wednesday, 12 March 2025 in relation to the sale of the Portfolio Assets.
Share Registry	means Registry Direct Pty Limited ACN 160 181 840.
Superior Proposal	means a genuine competing transaction, which the Independent Board Committee, acting in good faith, determines: (i) after taking advice from its legal advisers, is reasonably capable of being completed in accordance with its terms taking into account all aspects of the competing transaction, including its conditions and all relevant legal, regulatory and finance matters; and (ii) is of a higher financial value and is more favourable to HCF Shareholders as a whole than the Divestment, taking into account all aspects of the competing transaction.
Termination Event	has the meaning given to that term in Section 4.3(i).
Undirected Proxy Forms	means a Proxy Form which does not specify how the proxy is to vote.
VWAP	means volume weighted average price.
Withheld Consideration Shares	has the meaning given to that term in Section 6.5.

Annexure A – Independent Expert's Report

Now you know
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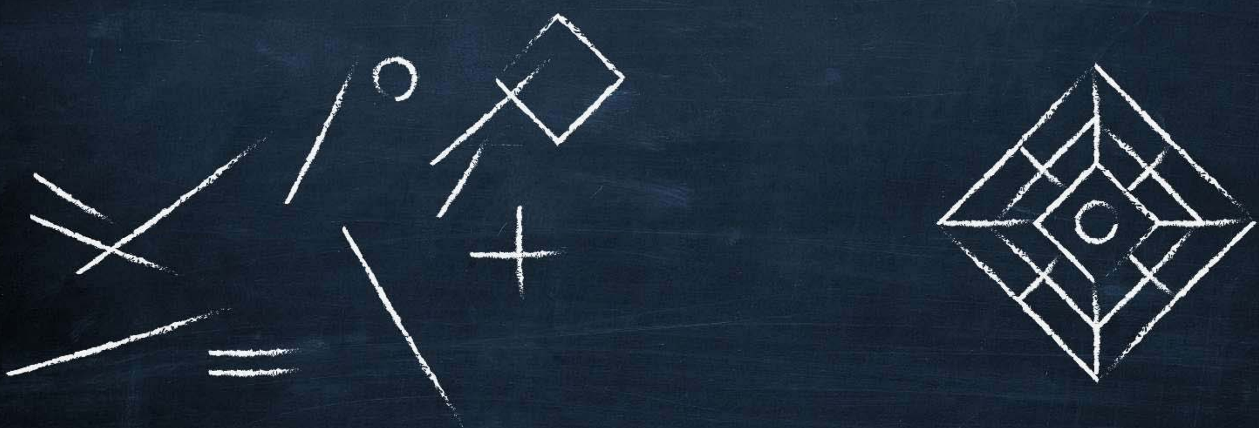
H&G HIGH CONVICTION LIMITED

ACQUISITION OF PORTFOLIO BY HANCOCK & GORE LIMITED

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
7 MARCH 2025



7 March 2025

Mr. David Groves
Independent Chairman
H&G High Conviction Limited
Level 11, Suite 11.02
68 Pitt Street, Sydney NSW 2000

Dear Mr Groves,

Independent Expert's Report for H&G High Conviction Limited

1. Introduction

H&G High Conviction Limited ("**HCF**") is a public company listed on the Australian Securities Exchange ("**ASX**") focused on investing in micro capitalisation ASX-listed companies. HCF is managed by H&G Investment Management Limited (the "**Investment Manager**"), an entity owned by Hancock & Gore Limited ("**H&G**"). As at 28 February 2025, HCF had a market capitalisation of $19.63 million.

H&G is an ASX-listed public company that invests in small to medium sized businesses. H&G holds a 20.4% interest in the shares of HCF. On 28 February 2025, H&G had a market capitalisation of $127.3 million.

On 13 January 2025, HCF received a non-binding indicative proposal from H&G to acquire all of the assets of HCF. On 11 March 2025, H&G and HCF entered into an Asset Sale and Purchase Agreement for H&G to acquire HCF's business and certain assets of HCF (together, the "**Portfolio Assets**"). In return, H&G will issue H&G shares to HCF and will have its entire 20.4% holding in HCF cancelled ("**Consideration**") ("**Proposed Transaction**").

In exchange for the acquisition of the Portfolio Assets:

- HCF will buy-back and cancel 4.97 million HCF shares held by H&G ("**Cancellation Shares**").
- H&G will issue approximately 62.8 million H&G shares to HCF, which will be subsequently distributed to HCF shareholders ("**Consideration Shares**").

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

2. Purpose of the report

In order to assist HCF shareholders evaluate the Proposed Transaction, the directors of HCF have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to HCF shareholders that are not associated with H&G ("**Shareholders**"). This report is to be included in the notice of meeting that will be sent to Shareholders regarding the Proposed Transaction.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- Assessed it as fair if the value of the Consideration offered is greater than, or equal to, the value of the Portfolio Assets.
- Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of this report.

4. The Proposed Transaction is fair

Assessed value of the Portfolio Assets

We have assessed the market value of the Portfolio Assets using a net assets-based method on a going concern basis. We have cross-checked our assessed value with an analysis of share trading in HCF (up until the announcement of the Proposed Transaction) which provides broad support for our assessed value of the Portfolio Assets.

This analysis led to an assessed value range of $21.0 million to $21.1 million for the Portfolio Assets.

Assessed value of Consideration

We have assessed the market value of the Consideration to be $21.1 million to $23.2 million as set out in the following table:

Table 1: Value of Consideration

Valuation Summary - Consideration ($'000)		
Description	**Low**	**High**
Assessed value of Consideration Shares	17,582	19,466
Assessed value of Cancellation Shares	3,541	3,771
Total value of Consideration	**21,124**	**23,237**

Source: Leadenhall analysis

We have assessed the market value of the Consideration Shares to be $17.6 million to $19.5 million based on a price range of $0.28 to $0.31 for an H&G share. This assessment was primarily based on recent trading in H&G shares. In the near term, we anticipate that those shares could be sold at, or close to, the prevailing market price. If a Shareholder chooses to hold H&G shares longer term, that is a separate investment decision that is not the subject of this report. We cross-checked this conclusion with the earnings multiples implied for the largest investment of H&G, being the Global Uniform Solutions group.

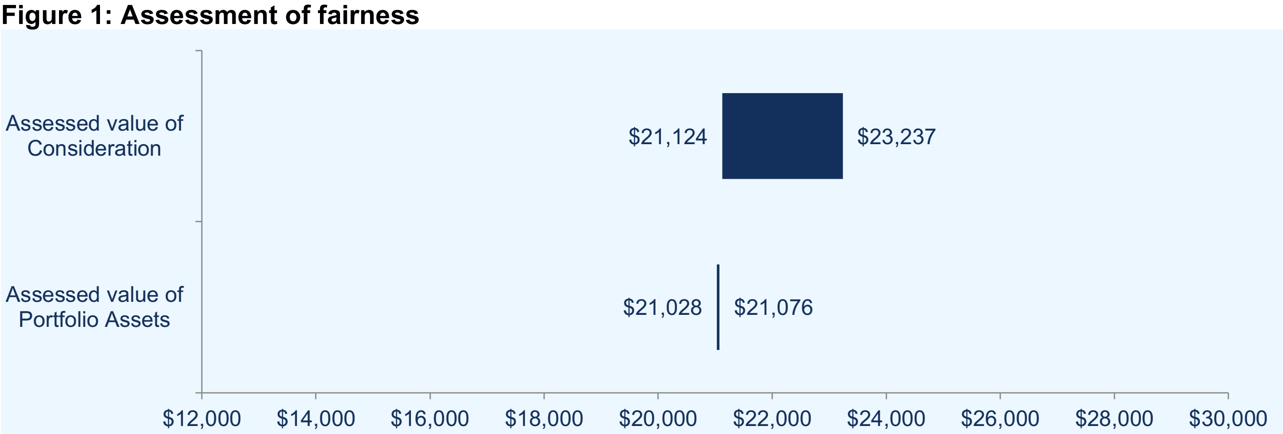
We have assessed the market value of the Cancellation Shares to be $3.5 million to $3.8 million based on a price range of $0.71 to $0.76 for an HCF share. We have made this assessment using a net assets-based method on a going concern basis, after applying an appropriate discount to the net tangible assets ("**NTA**") of HCF, reflecting likely market NTA discounts in the absence of the Proposed Transaction.

Based the above, we have assessed the value of the Consideration to be in the range of $21.1 million to $23.2 million.

Comparison to Consideration

We have assessed whether the Proposed Transaction is fair by comparing our assessed market value of the Portfolio Assets with the Consideration offered. This comparison is set out in the table below.

Figure 1: Assessment of fairness



Source: Leadenhall analysis

Since our assessed range of values of the Consideration generally exceeds the assessed value of the Portfolio Assets, the Proposed Transaction is fair.

Further details of our valuation of the Portfolio Assets and the Consideration are provided in Section 7 and Section 8 respectively of our detailed report.

5. The proposed Transaction is reasonable

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to the Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

The main advantages of the Proposed Transaction are:

- ***Premium received by Shareholders:*** On completion of the Proposed Transaction, Shareholders will receive 3.24 shares in H&G for each HCF share whilst retaining their shares in HCF. Based on our assessed values, Shareholders are receiving between \$0.93 and \$1.03 per HCF share held which represents:
  - A premium of between 31% and 36% to our assessed value of an HCF share, in the absence of the Proposed Transaction.
  - A premium of between 22% and 35% to HCF's volume weighted average price ("**VWAP**") of \$0.77 per share over the last 30-day period to 10 January 2025.
  - A premium of between 7% and 18% to HCF's published NTA value before taxes of \$0.873 per share as at 28 February 2025.
- ***Share price:*** In the absence of the Proposed Transaction, it is likely that HCF shares will trade below their recent trading range.
- ***No superior alternatives:*** We are not aware of any competing proposals to acquire the Portfolio Assets or HCF by any third party.
- ***Exposure to diversified investments***: On completion of the Proposed Transaction, Shareholders will become shareholders in H&G which is a larger and more diversified investment business than HCF.

Disadvantages

The main disadvantages of the Proposed Transaction are:

- ***Forgone exposure to micro capitalisation:*** On completion of the Proposed Transaction, HCF Shareholders will become shareholders in H&G. Since the Portfolio Assets are being acquired by H&G, Shareholders will continue to have exposure to the micro-cap investments currently held by HCF, albeit at a much smaller scale given their relatively small proportion of H&G's portfolio. This exposure may not be desirable for some investors due to individual investment preferences.
- ***Unutilised tax losses:*** On completion of the Proposed Transaction, tax losses on HCF's investment portfolio will be realised and retained in HCF which will no longer hold an operating business. It is unlikely that HCF will be able to utilise these losses.
- ***Tax implications:*** If Shareholders approve the Proposed Transaction, this may accelerate tax leakage on their investments in HCF that would otherwise be deferred in the absence of the Proposed Transaction.

Conclusion on reasonableness

As the Proposed Transaction is fair, it is also reasonable. Further details of our considerations of the reasonableness of the Proposed Transaction are set out in Section 9.2 of our detailed report.

6. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

Chern Fung Yee	Richard Norris
Director	**Director**

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of $50,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Independence

In the previous three years we have assisted H&G with compliance-related financial reporting matters. Our work has comprised reviews of management's valuations of certain H&G investments. This work did not involve Leadenhall participating in setting the terms of, or any negotiations leading to, the Proposed Transaction. We therefore consider ourselves to be independent for the purpose of this engagement, in accordance with *Regulatory Guide 112: Independence of Experts.*

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you may lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution services that are free to consumers and can be contacted as follows:

Website: www.afca.org.au

By post: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

7 March 2025

CONTENTS

1 THE PROPOSED TRANSACTION

1.1 Background

HCF is an ASX-listed public company that invests in a concentrated portfolio of 15 to 25 micro capitalisation companies. Further details of HCF's operations are provided in Section 4 of this report. H&G is an ASX-listed public company that invests in a range of operating businesses, with its largest investment being in a manufacturer and distributor of customised school uniforms. H&G also holds a 20.4% interest in the shares of HCF. Further details of H&G's operations are provided in Section 5 of this report.

On 13 January 2025, HCF and H&G announced a non-binding indicative proposal for H&G to acquire the net assets of HCF. At this time, the consideration for HCF's net assets was expected to comprise ordinary shares in H&G with the number of shares to be determined based on an HCF valuation of $1.00 per share, less HCF's transaction costs, and the value of any dividends declared or paid by HCF prior to completion.

On 11 March 2025, HCF and H&G entered into an Asset Sale and Purchase Agreement for H&G to acquire the Portfolio Assets. The Portfolio Assets represent all of the assets of HCF other than an amount of cash (currently estimated to be $0.57 million) which is to be retained by HCF ("**Retention Amount**").

1.2 Consideration

The agreed consideration for the acquisition of the Portfolio Assets is comprised of:

- The buyback and cancellation of 4.97 million HCF shares held by H&G.
- 62.8 million H&G shares which are to be issued to HCF and subsequently distributed in-specie to HCF shareholders. The distribution is approximately equivalent to 3.24 H&G shares for every HCF share held on the distribution record date (which will be three business days after completion of the Proposed Transaction). The number of Consideration Shares to be issued is an estimate and will change based on the final Retention Amount determined between HCF and H&G.

If the above formula results in a fractional number of H&G shares to be issued to a Shareholder, the fraction will be rounded down to the nearest whole number.

1.3 Conditions

For the Proposed Transaction to become effective the following conditions need to be met:

- Shareholder approval at an extraordinary general meeting of Shareholders to be held on 11 April 2025.
- No material changes in the net tangible asset backing per HCF share, after taxes.
- This report concluding that the Proposed Transaction is fair and reasonable to Shareholders.

2 SCOPE

2.1 Purpose of the report

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to various parties including a substantial (10%+) holder in the entity. An asset is substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX. As the value of the Portfolio Assets to be sold to H&G exceeds 5% of the equity of HCF as at 31 December 2024, the Portfolio Assets are a substantial asset for the purposes of Listing Rule 10.1. H&G currently holds a 20.4% interest in HCF and is the acquirer of the Portfolio Assets. Accordingly, the Proposed Transaction is with a substantial shareholder in HCF. Thus, the Proposed Transaction must be approved by HCF's shareholders that are not associated with H&G (which we have defined as Shareholders) under ASX Listing Rule 10.1.3.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting sent to shareholders in respect of such a transaction must include a report on the Proposed Transaction from an independent expert. The independent expert's report must state whether the transaction is fair and reasonable to Shareholders.

2.2 Basis of evaluation

Introduction

RG111 requires a separate assessment of whether a related party transaction under Listing Rule 10 is 'fair' and whether it is 'reasonable'. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

RG111.57 requires an expert assessing a related party transaction to compare the benefit provided by the entity to the related party (i.e. the Portfolio Assets) with the consideration being provided to the entity (i.e. the Consideration). Accordingly, we have assessed the Proposed Transaction as fair if the value of the Portfolio Assets is less than or equal to the Consideration.

We have assessed the values of the Portfolio Assets and Consideration at market value, which is defined by the International Valuation Standards Council as:

> *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

While there is no explicit definition of value in RG111, this definition of market value is consistent with basis of value described at RG111.11 and common market practice.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.62:

- The financial situation and solvency of HCF
- Opportunity costs
- Alternatives available to HCF
- Respective bargaining position of HCF and H&G
- Whether there is selective treatment of any securityholder
- Any special value of the Portfolio Assets to H&G
- The liquidity of the market in HCF's shares

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction. One of the critical advantages or disadvantages to Shareholders of the Proposed Transaction arises from a comparison of their position before and after the transaction.

The completion of the Proposed Transaction would result in Shareholders holding shares in H&G whilst retaining their interest in HCF shares. Therefore, a comparison can be made between the value of the holdings of Shareholders on a per share basis, before and after the Proposed Transaction.

Since Shareholders hold approximately 80% of the shares in HCF before the Proposed Transaction, we have assessed the value of an HCF share before the Proposed Transaction on a control basis. After the Proposed Transaction:

- Shareholders will hold approximately 3.24 H&G shares for every HCF share.
- HCF would be a listed shell company.
- The interest of Shareholders in HCF would accrete from approximately 80% to 100% of HCF.

The Proposed Transaction would therefore be generally advantageous to Shareholders if the value of an HCF share before the Proposed Transaction is less than the value of the 3.24 H&G shares received, plus the value of HCF as a listed shell. We have considered this as part of the reasonableness of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

3 LISTED INVESTMENT COMPANIES IN AUSTRALIA

3.1 Introduction

The Australian listed investment companies ("**LICs**") industry is an integral part of the financial market, offering investors access to diversified portfolios managed by professionals in a cost-effective manner, through shares traded on the ASX. As at 31 December 2024, the total market capitalisation for the industry was $42.6 billion.

3.2 Overview of LICs

As public companies, LICs are closed-ended funds with a fixed number of securities on issue. They do not regularly issue new shares or cancel existing shares. Investors are able to trade shares of LICs without impacting the underlying investments, thus providing a stable capital structure to the investment vehicles.

Under a LIC, investor funds are pooled and invested by fund managers who are either external or internal to the LIC. Fund managers are responsible for defining the investment objectives of the LICs and selecting appropriate investments accordingly. Investment objectives are typically based on outperformance over specific benchmarks (e.g. 5% over S&P/ASX 200) as opposed to benchmark tracking.

For externally managed LICs, management fees (typically as a percentage of net assets) and/or performance fees (typically as a percentage of return over specified benchmark) are paid to the fund manager. LICs are often actively managed resulting in higher costs than passive investments such as exchange traded funds ("**ETFs**").

LICs generate revenue in the form of dividend income from the underlying investments and gains (or losses) from trading those investments.

Net tangible asset backing

The NTA of a LIC represents the value of the LIC at a point in time and is calculated as the total assets of the company, net of total liabilities and any intangible assets. LICs regularly disclose their NTA per share which gives an indication of the value of the underlying investments of the LIC and therefore the value of a share in the company. On the other hand, the share price of a LIC reflects the market's assessment of the performance of the company, which is susceptible to market volatility and fluctuations in the value of the underlying investments.

Shares of a LIC can trade at a premium or a discount to its NTA for various reasons. Based on reports by industry participants and research analysts, the key factors influencing the size of premiums and discounts are summarised below.

- **Investment performance:** LICs with strong investment performance track records are more likely to trade at premiums whereas poor/inconsistent performance generally leads to discounts.
- **Dividend policy and history:** Investors are usually drawn to LICs for their fully franked dividends. As such, inconsistent dividend payments or lack of fully franked dividends are likely to result in discounts.
- **Quality of the investment team:** LICs with long-term experienced investment teams tend to trade at higher premiums or smaller discounts than their newer counterparts.
- **Investor engagement:** Shareholders value the transparency of their investments. Regular and effective communication as well as equitable shareholder treatment promote investor confidence resulting in premiums.
- **Macroeconomics:** Economic factors such as interest rates and market sentiment have a direct impact on the premium/discount. Interest rates are generally inversely related to share prices. In a lower interest rate environment, shares of LICs tend to trade at a premium or smaller discount. In a bearish market, LICs tend to trade at smaller premiums or larger discounts due to lower investor confidence.
- **Size and liquidity:** Market data has shown that the size of a LIC and the long-term share price relative to the NTA are intertwined with smaller LICs generally trading at higher discounts. This may be due to a combination of factors including lack of liquidity in the shares and higher perceived risks reducing the pool of investors. In addition, smaller LICs often face management fees, performance fees, and operational costs that disproportionately impact their overall performance, and investor demand, leading to wider discounts in smaller LICs.

Market data has shown that the size of the premium or discount varies across investment strategies and size. The table below summaries the arithmetic average pre-tax NTA premium/discount by strategy and by size of the LICs over various periods.

Table 2: Arithmetic average pre-tax NTA premium/discount to 30 November 2024

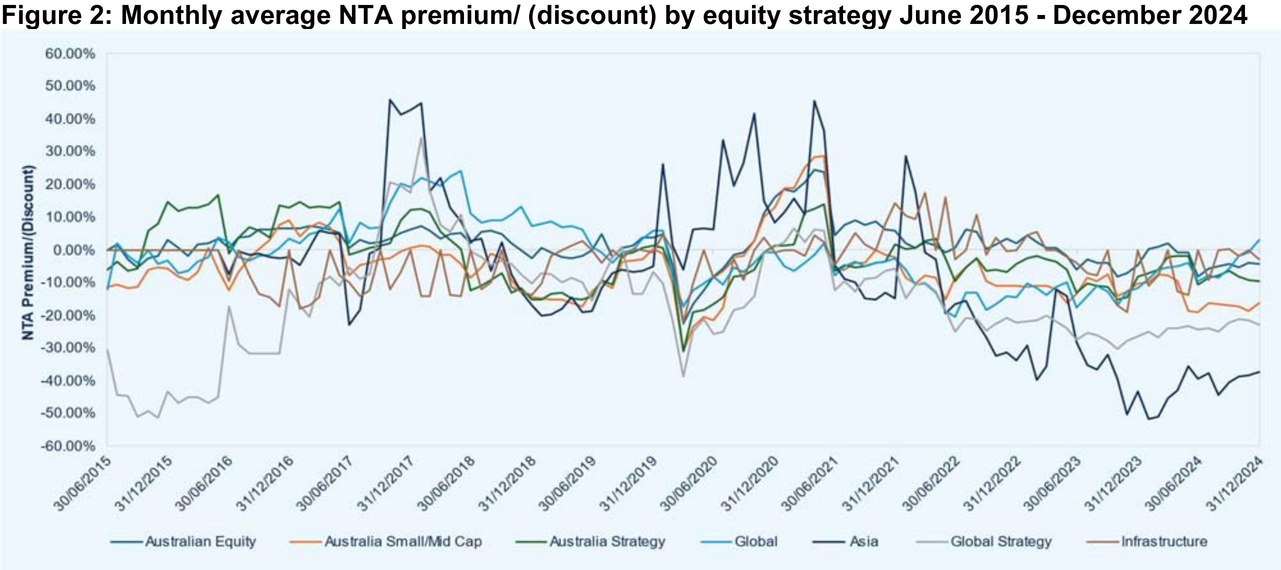
Average pre-tax NTA premium/discount						
	As at 30/11/24	Average over the following periods				
		3 month	6 month	1 year	3 year	5 year
Strategies						
Domestic Equity	-11.8%	-11.6%	-11.5%	-10.6%	-6.8%	-5.6%
International Equity	-9.2%	-8.6%	-8.5%	-9.9%	-10.5%	-9.3%
Alternatives	-16.4%	-11.9%	-12.6%	-13.0%	-12.4%	-12.1%
Fixed Income	0.9%	0.8%	0.9%	0.4%	-3.4%	-3.9%
Size of LICs						
Micro (<$100m)	-22.3%	-21.4%	-20.6%	-18.2%	-16.1%	-15.3%
Small($100m - $300m)	-13.6%	-11.6%	-11.8%	-12.9%	-10.6%	-9.4%
Medium ($300m - $2bn)	-7.2%	-6.5%	-6.6%	-7.1%	-5.4%	-4.9%
Large ($2bn+)	-6.0%	-7.5%	-7.4%	-6.7%	-3.8%	-2.2%

Source: Bell Potter and Leadenhall analysis
Notes: The values presented in the table represent the averages for the LICs within each strategy and size category.

The Australian LIC market, on average, traded at a discount over the last three to five years. Among the investment strategies, fixed income generally traded at a small premium/smaller discount relative to the other strategies, whereas alternatives typically traded at the deepest discount to their NTA. Domestic equity traded at a wider discount than international equity over the last 12 months. In terms of size, discounts to NTA generally widen as the size of a LIC falls. Over a 12-month period, microcap LICs traded at an average discount of 18.2% to NTA while the large cap LICs traded at an average discount of 6.7%.

In addition to the market data presented above, we have calculated the monthly arithmetic average post-tax NTA premium/(discount) by investment strategy from 30 June 2015 to 31 December 2024, adjusted for outliers. The result is summarised in the figure below.

Figure 2: Monthly average NTA premium/ (discount) by equity strategy June 2015 - December 2024



Source: Capital IQ and Leadenhall Analysis
Notes: Australian Equity covers all publicly traded companies on the ASX whereas Australia Strategy covers LICs with specific investment objectives/approaches such as growth, value, income, concentrated and thematic/sector-focused strategies to invest in Australian equities. Similarly, Global invests in publicly traded companies across the globe whereas Global Strategy focuses on specific investment objectives/approaches such as growth, value, income, concentrated and thematic/sector-focused strategies to invest in global equities.

In respect of the figure set out above, we note the following:

- We were not able to calculate the NTA premium/discount for the fixed income and property strategies due to insufficient information available.
- There were fewer LICs focused on global strategy prior to June 2017. Thus, the data before June 2017 was not meaningful.
- NTA premiums/discounts fluctuated significantly over the periods shown, with certain strategies more volatile than the others.
- Most strategies were trading at premiums prior to the onset of the COVID-19 pandemic in December 2019. Significant variability was observed between December 2019 and mid-2022. Since then, NTA discounts have been prevalent across investment strategies except for infrastructure and Australian equity. The period coincides with a series of interest rate hikes initiated by central banks around the world.
- As at 31 December 2024, Global Equity traded at a small premium of 3.27%, whilst the Asia and Global Strategies traded at the largest discounts.

Similarly, we have calculated the monthly arithmetic average post-tax NTA premium/(discount) by size of the LICs from 30 June 2015 to 31 December 2024, adjusted for outliers. The result is summarised in the figure below.

Figure 3: Monthly Average NTA Premium/ (Discount) by size of the LICs June 2015 - December 2024

Source: Capital IQ and Leadenhall Analysis
Notes: 0-25% percentile represents the smallest 25% of LICs by market capitalisation and the 75% to 100% percentile represents the largest 25% of LICs by market capitalisation.

In respect of the figure above, we note the following:

- The largest 25% of the LICs generally traded at premiums, while the smallest 25% of the LICs consistently traded at discounts during the period.
- Substantial discounts were observed across strategies in March 2020. This is likely due to a time lag in NTA reporting and the initial impact of the pandemic on the equity market.
- Excluding the volatility driven by the COVID-19 pandemic, the NTA premium has declined and NTA discounts have widened over the time. By the end of 2024, the smallest 50% of the LICs, on average, were trading at significant discounts (0-25% percentile at 26.4%; 25%- 50% percentile at 19.3%), whereas the largest 25% of the LICs were trading, on average, at a 5.4% premium.

3.3 Industry participants

The industry is generally fragmented although two major players, Australian Foundation Investment Company Limited ("**AFIC**") and Argo Investments Limited ("**Argo**") collectively account for over 30% of the total market. A summary of the two companies is set out in the table below:

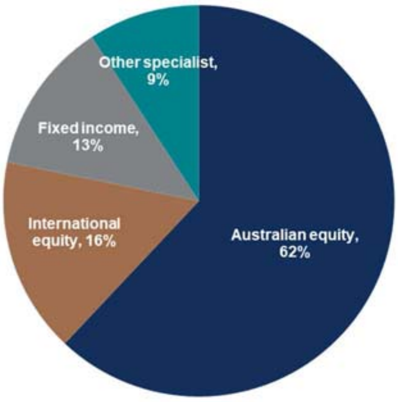
Table 3 : Major LICs' metrics

Segment	AFIC	Argo
Year of listing	1962	1963
Investment mandate	Australian equity - large cap	
Market capitalisation	$9.29 Billion	$6.86 Billion
Market share	18.20%	13.00%
Management expense ratio	0.18%	0.18%
Premium/(Discount) to pre-tax NTA	-10.97%	-11.00%
Historical distribution yield	3.44%	3.77%
Total return - 1 year	4.53%	6.08%
Total return - 3 year (annualised)	0.27%	1.13%
Total return - 5 year (annualised)	5.54%	5.56%

Source: ASX data as at 29 November 2024 (latest available)

LICs are often differentiated by investment mandates which can be categorised into four broad groups, Australian equities, international equities, fixed income and other specialists.

Figure 4: Breakdown of market capitalisation by investment mandates



Source: ASX, Bell Potter, Independent Investment Research

- **Australian equities**: Most LICs are geared toward Australian equities. The strategies of these LICs can be further broken down by market cap of the underlying investments such as large cap, medium/small cap and small/micro-cap. AFIC and Argo are the major players in this sector.
- **International equities**: Another popular investment strategy amongst LICs. This includes developed markets, emerging markets, diversified and specific sector focus.
- **Fixed income**: Includes government bonds, corporate bonds, and other debt instruments.
- **Other specialist**: Includes alternative investments e.g. private equity, unlisted assets, long/short absolute returns focus, etc.

3.4 Key external drivers

Key external drivers of the performance of LICs are summarised below:

Market conditions

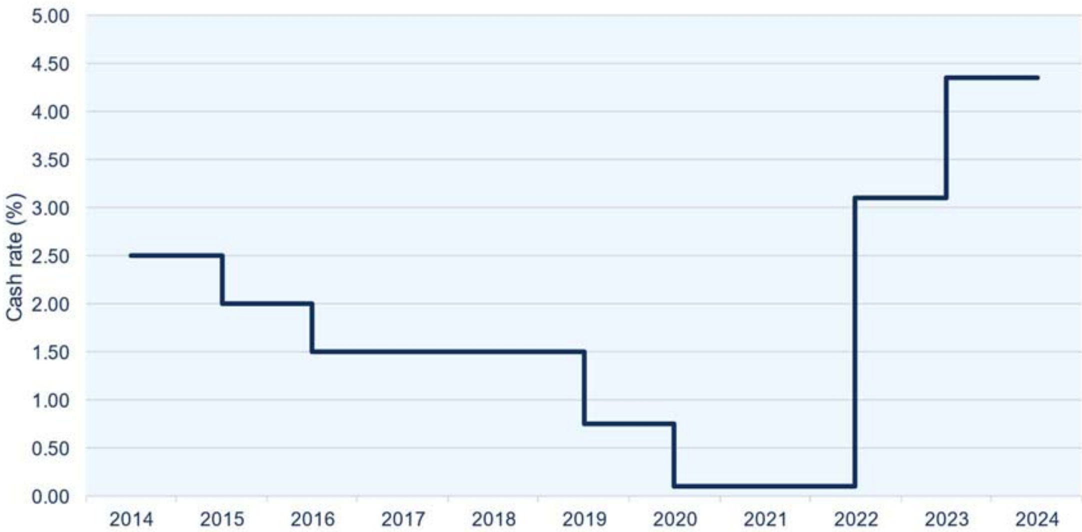
The performance of LICs is highly sensitive to a change in market conditions such as the state of the economy, market volatility and investor sentiment. During periods of economic uncertainty or downturn, market volatility heightens leading to negative investor sentiment. Investors become more cautious, pivoting to lower risk assets such as cash or fixed income. This shift dampens demand for equities, causing share prices to decline and reducing the value of the LICs' portfolios. In contrast, strong economic growth and a positive economic outlook typically reduce market volatility and boost investor confidence. Investors are more willing to take on greater risks pushing up demand for equities and driving up stock prices. This in turn enhances the investments held by LICs.

Interest rates

Changes in interest rates have a direct impact on asset values. Lower interest rates generally lead to a rally in the equity market as corporate earnings are discounted at a lower rate resulting in an uplift in the value of equities. In addition, investors tend to shift away from fixed income for higher returns, pushing up the demand for equities. As most LICs are geared towards equities, these companies benefit from a low interest environment through an increase in the value of underlying investments of LICs, narrowing the discount/widening the premium to NTA, and vice versa.

Reserve banks around the world have raised their interest rates in recent years to combat persistent inflationary pressure following the COVID-19 pandemic. The chart below shows the Australian cash rate target determined by the RBA between 2014 and 2024.

Figure 5: Historical Australian cash rate between 2014 and 2024



The cash rate in Australia has remained elevated since 2022. The next official cash rate announcement will be on the 1 April 2025. As at the valuation date, ASX reported that the 30-day cash rate future price indicated 17% of the market expects a reduction in interest rate to 3.85% at the next Reserve Bank of Australia meeting.

Competition from ETFs

Investments in the ETF market have grown tremendously over the last decade, with ETFs in Australia exceeding $230 billion in funds under management in December 2024. The growing interest in ETFs has posed significant threats to LICs as ETFs provide an alternative to LICs that have lower fees and higher liquidity. Most ETFs aim to replicate the performance of specific indices, known as index tracking whereas LICs are generally actively managed to outperform certain benchmarks. The passive investment strategy enables ETFs to reduce their management fees. The majority of ETFs have a management expense ratio below 0.1% compared to 1% to 2% for LICs.

The open-ended structure of ETFs allows shares to be issued and redeemed, through a market maker, based on the demand for the products. This not only allows ETFs to trade close to their net asset values , but it also provides a liquidity guarantee to investors. In contrast, trading of LICs requires an investor to transact against another on the exchange. During a period of lack of demand, investors would have to accept a lower price to find a buyer.

3.5 Outlook

Market conditions remain uncertain, primarily due to global geopolitical tension and the unknowns associated with the direction of the US government and the potential for new policies impacting international trade and tariffs. However, interest rates are forecast to decline gradually in the short to medium term as inflation eases. The industry is likely to benefit from improved investment performance. At the same time, competition from low-cost alternative investment products such as ETFs will continue to put pressure on LICs to justify their management fees and demonstrate superior performance to attract capital.

4 H&G HIGH CONVICTION LIMITED

4.1 Background

Incorporated in 2022, HCF is an Australian LIC focusing on a concentrated portfolio of 15 to 25 ASX-listed micro-capitalisation (market capitalisation below $300 million at initial investment) companies. The objective of HCF is to deliver investment returns of at least 10% per annum, after all fees. The company adopts an actively managed, fundamentals-based investment approach. Investments are externally managed by H&G Investment Management Ltd, a wholly owned subsidiary of H&G under an investment management agreement. H&G currently holds a 20.4% interest in HCF.

4.2 History

A brief history of HCF is set out in the table below:

Table 4: History of HCF:

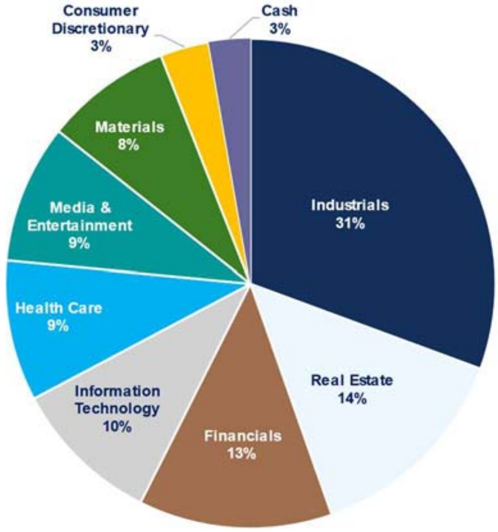
Year	Event
2022	♦ Incorporation and acquisition of all assets of H&G High Conviction Fund (formerly known as The Supervised Fund ("**TSF**") under asset swap deed for scrip. ♦ Initial public offering targeted to raise between $20 million to $30 million. Fund raising efforts fell short and ultimately raised $5.2 million. ♦ Listing on the ASX.
2023	♦ Raised $2.75 million in share placement.
2024	♦ Appointment of Dennison Hambling to the Board. ♦ Announcement of on-market buy back of 10% of company shares over the next 12 months in April 2024. ♦ Receipt of Section 249D notice from Dr. Ida Constable requesting a general meeting of the shareholders to consider appointments of Ms Sarah Constable and Mr Paul Bennet as company Directors, the removal of Mr Dennison Hambling as a Director, and a non-binding advisory resolution. The notice was subsequently withdrawn. ♦ Portfolio Manager, Joseph Constable resigned and was replaced by Nicholas Atkinson. ♦ Resignation of Joseph Constable from the HCF Board.
2025	♦ Received a non-binding proposal from H&G to acquire all the net assets in HCF in exchange for H&G shares at an issue price of $0.30 per share.

Source: ASX

4.3 Investment Portfolio

The breakdown of HCF's portfolio by sector, as at 31 December 2024, is set out in the figure below:

Figure 6: HCF investment portfolio:



Source: HCF

As at 31 December 2024, HCF held 16 investments across an array of industries with a heavy weighting towards the industrial sector. The three largest holdings are Eildon Capital Group ("**Eildon**"), Coventry Group Ltd ("**Coventry**") and Veem Ltd ("**Veem**"), which together make up close to 40% of the current portfolio of HCF. A brief description of these companies is set out below.

4.3.1 Eildon (14% of the portfolio)

Eildon is a real estate investment and fund management company with $173 million in assets under management (as disclosed by Eildon in November 2024). The company specialises in providing debt and equity funding across different property sectors. Whilst Eildon has performed solidly in recent years with revenues and assets under management increasing substantially since FY23, global real estate markets remain volatile due to interest rates, inflation and credit availability impacting transaction volume. As at 31 December 2024, HCF held 3,650,000 shares of Eildon with a market value of $3.4 million.

4.3.2 Coventry (14% of the portfolio)

Coventry is a distributor of industrial products focusing on the mining and resources, construction, infrastructure, industrial and manufacturing sectors within Australia and New Zealand. The industrial products sector is valued at $3.3 billion in Australia and is expected to grow at CAGR 7.4% to 2030 underpinned by $100 billion in government spending committed over the next 10 years. As at 31 December 2024, HCF held 2,687,810 shares in Coventry with a market value of $3.3 million.

4.3.3 Veem (10% of the portfolio)

Veem is an Australian-based designer and manufacturer of precision high-technology marine propulsion and stabilisation systems, servicing luxury motor yachts, fast ferries, commercial workboats and defence industries. Veem experienced an increase in net profit in FY24, driven by significant growth in propeller sales, defence spending and the capacity to clear a backlog of items. The outlook of the company remains positive with growth expected across all business segments. Near-term growth prospects are driven by a combination of ongoing capital investment, deliveries of existing contracts as well as the strategic partnership with Sharrow Marines LLC (a subsidiary of Sharrow Engineering LLC, an engineering company focused on the research and development of marine propulsion technologies). As at 31 December 2024, HCF held 2,015,000 shares in Veem with a market value of $2.4 million.

4.4 Investment performance

HCF's investment performance to 31 December 2024 is set out in the table below:

Table 5: HCF historical performance

	1 month	3 months	6 months	12 months	Since IPO
HCF total portfolio return	-2.7%	-5.2%	-3.8%	-4.6%	4.8%
ASX Small Ordinaries Accumulation Index	-3.1%	-1.0%	5.5%	8.4%	7.9%
Over / under performance	**0.4%**	**-4.2%**	**-9.3%**	**-13.0%**	**-3.1%**

Source: HCF
Note: HCF total portfolio return combines the change in value of the post-tax NTA on a per share basis with dividends reinvested without considering franking credits.

HCF has consistently underperformed the ASX Small Ordinaries Accumulation Index. This poor performance is attributed by HCF management to the short-term volatility associated with the company's concentrated portfolio of micro-cap equities.

4.5 Investment Team

As at the valuation date, the investment team of HCF and the Investment Manager is summarised below:

Name	Position	Experience (Years) Industry	Firm
Nicholas Atkinson	Portfolio Manager	27	1
Sandy Beard	Chair - H&G Investment Management	34	4

Source: HCF
Note: Nicholas Atkinson was appointed Portfolio Manager with effect from 30 April 2024. He has been an Investment Director at H&G from June 2021.

The investment team is overseen by H&G Investment Management Ltd which is responsible for managing the portfolio in accordance with the management agreement and investment guidelines, while considering the investment objectives. In return for the services, the Investment Manager receives the following fees:

- **Management fee**: 1% (plus GST) per annum of the gross portfolio value of HCF, calculated on the last business day of each month and payable monthly in arrears. The gross portfolio value refers to the company's net asset value on a given date, excluding any performance fees or tax liabilities.
- **Performance fee**: 20% (plus GST) of any outperformance over the pre-tax benchmark of 5% per annum, subject to a highwater mark. This fee is calculated based on the accumulated profit before tax since the last highwater mark date, payable semi-annually. The last highwater mark date is the end of the most recent period when a performance fee was paid.

4.6 Key personnel

The Board of Directors of HCF comprises:

Table 6: Directors of HCF

Directors	Experience
David Groves Non-executive Chairman	Appointed in August 2022. Mr Groves has over 25 years of experience as a company director at listed and unlisted companies including EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd. He is currently the Chairman of Pengana Capital Limited and is a Non-Executive Director of Pengana International Equities Limited and MA Redcap Hotel Fund RE Ltd as the responsible entity of the MA Redcap Hotel Fund.
Nicholas Atkinson Executive Director	Mr Atkinson joined the Board of HCF in June 2022. He has over 30 years of experience in equity capital markets with expertise in the energy, healthcare/life sciences and small capitalisation sectors. Mr Atkinson has been the portfolio manager for H&G Investment Management Ltd since April 2024. In addition to his role at HCF, Mr Atkinson holds an executive position at H&G. He also acted as an executive director of the Institutional Equities division at Morgan Financial Ltd.
Dennison Hambling Non-executive Director	Mr Hambling was appointed on 27 February 2024. With over 24 years of investment experience, he previously served as the Chief Investment Officer of First Samuel and the head of Public and Private Equity at 360 Capital Group. Mr Hambling is currently the Managing Director of Intelligent Monitoring Group and serves as Non-Executive Director of several private companies.

Source: HCF

4.7 Financial performance

The audited statements of financial performance for the FY ended 30 June 2023 and 30 June 2024 and unaudited statement of financial performance for the half year ended 31 December 2024 are set out in the table below.

Table 7: HCF financial performance

$'000	FY23	FY24	HY FY25
Revenue			
Dividend revenue	207	703	521
Fair value gains / (losses) on financial instruments	2,756	1,644	(2,254)
Other income	13	6	4
Revenue	**2,975**	**2,353**	**(1,728)**
Operating expenses			
Performance fees	(337)	(358)	-
Management fees	(245)	(287)	(138)
Professional fees	(18)	(55)	(26)
Directors' fees	(34)	(54)	(40)
Other expenses	(161)	(149)	(55)
Total operating expenses	**(795)**	**(904)**	**(260)**
EBITDA & EBIT	**2,180**	**1,449**	**(1,988)**
Interest income	206	226	31
Profit/(loss) before tax	**2,386**	**1,675**	**(1,957)**
Income tax benefit / (expense)	(666)	(375)	783
Profit/(loss) after tax	**1,720**	**1,300**	**(1,174)**

Source: HCF
Note: FY23 represents the 13 months to 30 June 2023.

In relation to the historical financial performance of HCF set out above, we note the following:

- Fair value gains / losses on financial instruments is the primary source of revenue of HCF and has declined significantly over the period. The strong performance in FY23 was mainly due to unrealised gains on investments, particularly Kiland Ltd and the sale of Proptech Group Ltd following a takeover bid.
- The drop in FY24 was primarily driven by a reduction in revaluation gains due to poorer performance of the remaining portfolio. The fair value of HCF's portfolio declined significantly in the six months to 31 December 2024.
- Management fees remained relatively steady over the periods, consistent with the gross portfolio value.
- The performance fees in FY23 and FY24 were attributed to the successful realisation of various investments and revaluation gains on HCF's investment portfolio. No performance fee was paid in the half-year to December 2024 as a result of the underperformance in the second half of FY24, which must be recouped before any future performance fee can be paid.
- Despite the poor performance against the ASX Small Ordinaries Index, HCF continued to pay performance fees in FY24. This is due to a mismatch in benchmarks used to assess the actual portfolio performance and the performance fee. The performance fee is paid on the overperformance on the accumulated company profit before tax over a hurdle rate of 5% per annum, as opposed to the outperformance relative to the index.
- Professional fees includes legal, consulting and accounting expenses.
- Other expenses include superannuation, wages and salaries.

4.8 Financial position

The audited statements of financial position as at 30 June 2023 and 30 June 2024 and unaudited statement of financial position as at 31 December 2024 are set out in the table below.

Table 8: HCF's financial position

$'000	30-Jun-23	30-Jun-24	31-Dec-24
Current assets			
Cash & cash equivalents	5,941	2,475	656
Trade and other receivables	59	153	174
Financial assets at fair value through profit and loss	21,891	25,051	22,919
Other assets	18	470	209
Total current assets	**27,909**	**28,148**	**23,958**
Non-current assets			
Deferred tax asset	26	17	470
Total non-current assets	**26**	**17**	**470**
Total assets	**27,935**	**28,165**	**24,428**
Current liabilities			
Trade and other payables	342	246	120
Income tax payable	351	1,016	469
Total current liabilities	**693**	**1,262**	**590**
Non-current liabilities			
Deferred tax liability	1,430	793	-
Total non-current liabilities	**1,430**	**793**	**-**
Total liabilities	**2,122**	**2,055**	**590**
Net assets	**25,813**	**26,110**	**23,838**
NTA per share (pre-tax) ($)	*1.086*	*1.073*	*0.966*
NTA per share (post-tax) ($)	*1.030*	*1.042*	*0.983*

Source: HCF

In relation to the historical financial position of HCF set out above, we note the following:

- Cash and cash equivalents held by HCF declined between FY23 and FY24 primarily due to the investments made in Veem and Coventry. The decline in cash between 30 June 2024 and 31 December 2024 was driven by the payment of dividends on 4 October 2024 at 2 cents per share and a tax payment.
- Financial assets at fair value through profit and loss represent the majority of HCF's assets comprising the investment portfolio, excluding cash and options. The increase in FY24 is a result of net new investments made during the year coupled with gains on existing investments. The portfolio value declined in the following six months, driven by downward movements in the value of investments.
- Other assets increased in FY24 following the acquisition of 11 million Universal Biosensors Inc. listed options.
- Deferred tax liabilities in FY23 relate to unrealised gains on investments as at 30 June 2023. The subsequent decrease in FY24 was due to the reversal of prior periods' revaluation gains on investments.
- NTA per share on a post-tax basis is higher than that of the pre-tax at 31 December 2024 as the portfolio cost base exceeds the market value of the portfolio, giving rise to a deferred tax asset.

4.9 Cash flows

The audited statements of cash flows for the periods ended 30 June 2023 and 30 June 2024 and unaudited statement of cash flows for the six month period ended 31 December 2024 are set out in the table below.

Table 9: HCF's cash flows

$'000	FY23	FY24	HY FY25
Cash flows from operating activities			
Dividends received	207	701	521
Interest received	205	226	35
Other revenue	13	6	4
Management fees	(219)	(287)	(138)
Performance fees	(182)	(513)	-
Income tax paid	(6)	(336)	(1,009)
Other operating expenses	(112)	(293)	(269)
Net cash inflow/(outflow) from operating activities	**(93)**	**(496)**	**(856)**
Cash flows from investing activities			
Purchase of investments	(14,863)	(17,752)	(10,185)
Sale of investments	10,212	15,784	10,320
Net cash inflow/(outflow) from investing activities	**(4,651)**	**(1,968)**	**135**
Cash flows from financing activities			
Issued shares	11,134	-	-
Shares bought back	-	-	(598)
Ordinary dividends paid	(448)	(1,002)	(500)
Net cash inflow/(outflow) from financing activities	**10,686**	**(1,002)**	**(1,098)**
Net increase/(decrease) in cash	5,941	(3,466)	(1,819)
Cash and cash equivalents at beginning of period	-	5,941	2,475
Cash and cash equivalents at end of period	**5,941**	**2,475**	**656**

Source: HCF

In relation to the historical cash flows of HCF set out above, we note the following:

- The substantial net cash outflow during FY24 is primarily driven by net investments, including Veem and Coventry, coupled with a dividend payment of 2 cents per share on 25 March 2024.
- Despite an increase in dividend income, higher operating costs have led to net cash outflows from operating activities.

4.10 Capital structure and shareholders

As at 29 January 2025, HCF had a total of 24,381,234 ordinary shares on issue. The following table sets out details of HCF's substantial shareholders as at that date:

Table 10: HCF's substantial shareholders

Shareholder	No. of shares held	% Total shares
Hancock & Gore Limited	4,974,756	20.4%
Perennial Investment Management Ltd	3,638,775	14.9%
Constable Group	2,536,381	10.4%
Fayrstede Pty Ltd (Cooper Superannuation fund)	1,712,562	7.0%
Substantial shareholders	**12,862,474**	**52.8%**
Other shareholders	11,518,760	47.2%
Total	**24,381,234**	**100.0%**

Source: HCF

As at 29 January 2025, HCF had no other outstanding securities on issue.

4.11 Share trading

The following chart shows the market trading of HCF shares, for the 12 months to 29 January 2025:

Figure 9: HCF share trading over the last 12 months

Source: S&P Capital IQ

In relation to the trading of HCF shares over the past 12 months, we note the following:

- Shares of HCF were relatively illiquid. Excluding shares bought back by HCF (as part of a buy back program) and internal transfers within an institutional holder, the average daily value traded was approximately $7,000 and the volume weighted average price ("**VWAP**") over the period was $0.91.
- There were long periods without any trading in HCF shares. Out of 254 share market trading days over the period, HCF shares only traded on 89 days.
- The spike in trading on 28 June 2024 relates to a trade of 0.6 million HCF shares that appears to be an internal transfer within an existing institutional holder.
- The spike in trading on 11 October 2024 relates to an on-market buy back of 0.3 million shares by HCF.
- The spike in trading on 18 November 2024 relates to a trade of 0.6 million HCF shares that appears to be an internal transfer within an institutional holder.
- The increase in price and trading volume on 13 January 2025 followed the non-binding indicative proposal from H&G to acquire all the assets of HCF in exchange for shares in H&G.

5 HANCOCK & GORE LIMITED

5.1 Background

Established in 1904, H&G has evolved over the years to become a publicly listed diversified investment company based in Sydney, Australia. The company seeks to deliver long-term investment returns to shareholders through a portfolio of operating businesses with strong management teams and a return-focused balance sheets. H&G's investments often take the form of active ownership or strategic capital. The current portfolio spans across various industries including school uniforms, sustainable packaging and funds management. Global Uniform Solutions is currently the primary investment of H&G, comprising Mountcastle Pty Ltd ("**Mountcastle**") and Schoolblazer Ltd ("**SB**").

5.2 History

A brief history of H&G is set out in the table below:

Table 11: History of H&G

Year	Event
1904	♦ Incorporation and subsequent listing on the Brisbane Stock Exchange (which became part of the ASX in 1987).
1981 - 2017	♦ Underwent a series of corporate restructurings, including a takeover by Takone Pty Ltd in 1981, a change of name to HGL Ltd in 2002 as well as various acquisitions and divestments over the years. Most of the early investments were divested by 2018, except for Mountcastle, a manufacturer and distributor of uniforms. The initial investment in Mountcastle was made in 1997 and by the end of 2017, H&G owned 50% of Mountcastle.
2018	♦ Acquisition of a 70% interest in Pegasus Healthcare Group Pty Ltd ("**Pegasus**"), a provider of medical equipment.
2020	♦ Sale of a 50% interest in JSB Lighting Pty Ltd ("**JSB**") to FOS Lighting Pty Ltd ("**FOS lighting**"), for 3 million shares (9.1% interest) in FOS Capital Limited ("**FOS Capital**"), a holding company of FOS lighting. FOS lighting was granted an option to buy the remaining 50% interest in JSB. ♦ The ownership in Mountcastle was diluted to 45%.
2021	♦ Sale of the remaining 50% interest in JSB to FOS lighting. FOS Capital was subsequently listed on the ASX. ♦ Acquisition of a 100% interest in Supervised Investments Australia Ltd ("**SIAL**") acting as the investment manager for TSF. SIAL and TSF were subsequently renamed to H&G Investment Management Ltd and H&G High Conviction Fund respectively. ♦ Sale of a wholly-owned subsidiary, BLC Cosmetics Pty Ltd to Cellmid Ltd ("**Cellmid**"), a developer and distributor of anti-aging beauty products for $1 million cash and 32.8 million shares in Cellmid which was subsequently renamed to Anagenics Ltd ("**Anagenics**"). ♦ Mountcastle ownership diluted to 39.7%.
2022	♦ Change of name to Hancock & Gore Ltd. ♦ Initial syndicated investment of $8.4 million ($5.5 million on H&G balance sheet) in the form of preferred equity in Disruptive Packaging Pty Ltd ("**Disruptive Packaging**"), a developer and supplier of environmentally-friendly packaging. ♦ Sale of a 70% interest in Pegasus for approximately $10 million cash. ♦ Initial investment in the form of secured preferred equity of $2.3 million in QRT Finance Trust, a holding company of Rino recycling.
2023	♦ Acquisition of an additional 40.3% interest in Mountcastle, increasing H&G's interest to 89.7%. ♦ Additional equity investment of $2.3 million in QRT Finance Trust.

Year	Event
2024	♦ Acquisition of the remaining interest in Mountcastle. ♦ Acquisition of a 100% interest of SB, a school uniform retailer based in the United Kingdom. Mountcastle and SB are collectively known as Global Uniform Solutions.
January 2025	♦ Non-binding proposal to acquire all of HCF's assets in exchange for shares in H&G at an issue price of 30 cent per share.

Source: H&G, historical announcements

5.3 Investments

The breakdown of H&G's portfolio for FY23 and FY24 is set out in the figure below:

Figure 7: FY23 H&G investment portfolio breakdown

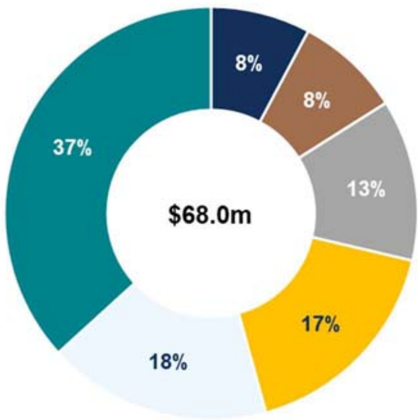


Figure 8: FY24 H&G investment portfolio breakdown

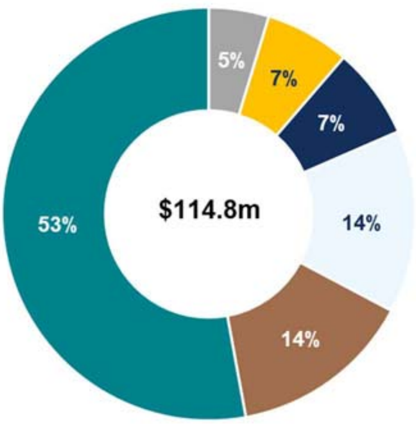
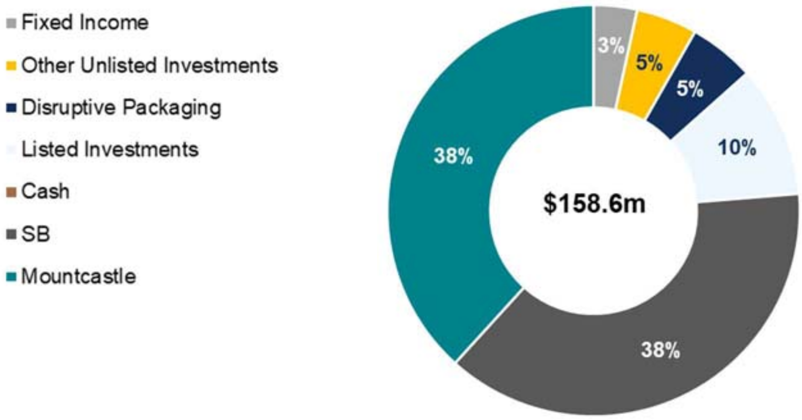


Figure 9: FY24 H&G pro forma investment portfolio breakdown[1]



Source: H&G annual reports
Notes:
1. Pro forma investment portfolio including investment in SB which completed post FY24 year end.

5.3.1 Global Uniform Solutions (Mountcastle and SB)

Since an initial investment in 1997, Mountcastle has grown to become the largest investment of H&G. Founded in 1835, the company engages in manufacture and distribution of customised school uniforms across Australia and New Zealand. The company's portfolio of brands includes Trutex, a leading school uniform brand from the United Kingdom, and Statesman Hats, a supplier of Australian hats manufactured from Australian wools and European furs.

The Australian school uniform industry is highly fragmented with an estimated revenue of $1 billion per annum. Globally, the school uniform market is driven by rising enrolment rates coupled with population growth. Notably, emerging economies are experiencing rapid growth in enrolment due to government initiatives and increased awareness of the importance of education and its associated opportunities, consequently driving increased demand for school uniforms. The global school uniform market is expected to grow at a CAGR of 4.5% to 2030.

Mountcastle has pursued several bolt-on acquisitions in recent years. These include LW Reid Pty Ltd, a national school uniform wholesaler, Argyle Schoolwear Ltd, a school uniform supplier in New Zealand and Moorebank Uniforms & Embroidery Pty Ltd, a Western Sydney based school uniform retailer in 2023. In 2024, Mountcastle became a wholly owned subsidiary of H&G and subsequently merged with SB to form a global uniform platform, solidifying its leadership position in the school wear industry.

SB provides complimentary channels to Mountcastle through an online school wear offering to independent United Kingdom schools. The company was acquired by H&G for $60 million, comprising a combination of scrip, cash and deferred consideration. The acquisition was completed on 12 October 2024. The merger of Mountcastle and SB is expected to drive material growth in existing and new markets through SB's online capabilities targeting the independent schools market. The merger was based on pre-synergistic value and did not consider:

- $1 million to $2 million procurement savings expected to be realised over three years.
- Decreases to the cyclical nature of existing working capital and profitability cycles.
- Cost savings from SB entering the Australia and New Zealand market utilising existing Mountcastle infrastructure and networks.

The merger is expected to enhance H&G's holding of Mountcastle, with the combined group representing approximately 75% of the investment portfolio. The business combination delivers a 100%-owned operating entity generating in excess of $100 million in revenue and $13.8 million EBIT before the realisation of synergies.

Proforma FY24 financials for Mountcastle, SB and the combined business are presented in the following table.

Table 12: Mountcastle and SB proforma FY24 statement of profit and loss

$'m	Mountcastle	SB	Combined
Revenue	58.3	50.2	108.5
COGS	(29.9)	(19.8)	(49.7)
Gross profit	**28.4**	**30.4**	**58.8**
Operating expenses	(20.0)	(22.3)	(42.3)
EBITDA	**8.4**	**8.2**	**16.6**
D&A	(2.2)	(0.6)	(2.8)
EBIT	**6.2**	**7.6**	**13.8**
Gross margin	*49%*	*61%*	*54%*
EBITDA margin	*14%*	*16%*	*15%*
EBIT margin	*11%*	*15%*	*13%*

Source: H&G 2024 annual report

5.3.2 Disruptive Packaging

H&G holds equity in Disruptive Packaging. Disruptive Packaging is a growth business focusing on commercial packaging solutions using sustainable materials. The company is renowned for its propriety product, Unicor®, an environmentally friendly and waterproof packaging designed to replace waxed cardboard and polystyrene packaging in the seafood and fresh produce industries. The company currently operates in Australia, Mexico, America and Europe.

Users of packaging products have become increasingly aware of their environmental impact on landfill and ocean waste, driving more customers to purchase sustainably packaged products. Global climate concerns and demand for sustainable practices are expected to drive the growth of Disruptive Packaging globally. According to IBISWorld, food and beverage packaging services in Australia represent a $1.2 billion market with revenue growth expected to increase broadly in-line with inflation.

5.3.3 Listed investments

H&G's listed investments include ARN Media Limited, Xreality Group Ltd, My Foodie Box Limited, Veem, Coventry, Universal Biosensors Inc, HCF, FOS Capital, and Anagenics. H&G also held Universal Biosensors options expiring 8 May 2027.

5.3.4 Other unlisted investments

Other unlisted investments include Rino Recycling and TSV.

- **Rino Recycling:** Rino Recycling is a waste management and recovery company in Queensland, specialising in converting construction and demolition waste into high-quality recycled materials. H&G invests in Rino Recycling through both secured preferred equity and ordinary equity.
- **TSV:** TSV is an early-stage health technology company aimed at improving the life of people with disability and long-term health needs. H&G invests in TSV in the form of secured preferred equity in TSV Trust.

5.4 Key personnel

The Board of Directors of H&G comprises:

Table 13: Directors of H&G

Directors	Experience
Sandy Beard Executive Chairman	Mr Beard has been the Executive Chairman of H&G since 29 October 2020. He has been a director of various companies such as Pure Foods Tasmania Ltd and Centrepoint Alliance Ltd. He was previously the Chief Executive Officer ("**CEO**") of CVC Limited. He is experienced in investee businesses, including assisting in acquisitions, divestments, capital raising and direct managerial roles. He currently holds a director position in Anagenics and FOS Capital.
Kevin J Eley Non-Executive Director	Mr Eley was first appointed in 1985. He has significant experience within the business, acting as the CEO between 1985 and 2010 and the Executive Chairman between June 2020 and October 2020. Mr Eley has also been the lead director on the board for Audit and Risk matters since 2018. He has served as a director in several Australian listed companies, including Milton Ltd and EQT Holdings Ltd. Mr Eley currently holds a director position at Pengana Capital Group Ltd. He is also a Chartered Accountant.
Angus Murnaghan Non-Executive Director	Appointed in February 2023, Mr Murnaghan has over 30 years of experience in the Australian equities markets in senior roles. He has worked at several finance and advisory groups including UBS, Ord Minnett and held the role of Managing Director at Moelis & Company.
Steven Doyle Non-Executive Director	Mr Doyle has been Executive Chairman of Mountcastle since March 2023. He previously served as CEO of Lovisa Holdings Limited. He also worked as the Managing Director of the Leisure Division at Super Retail Group, where he developed the Boating Camping Fishing (BCF) chain across Australia and New Zealand.
Timothy John James Non-Executive Director	Mr James joined H&G in October 2024 following the acquisition of SB. He is a co-founder of SB and has over 25 years of experience in retail.

Source: H&G

5.5 Financial performance

The audited statements of financial performance for the financial years ("**FY**") ended 30 September 2022, 30 September 2023 and 30 September 2024 are set out in the table below.

Table 14: H&G's financial performance

$'000	FY22	FY23	FY24
Revenue			
Dividend income	2,611	3,791	5,022
Finance income	499	1,101	905
Funds management fee	821	1,612	781
Rental income	418	175	268
Total revenue	**4,349**	**6,679**	**6,976**
Operating expenses			
Fair value gains / (losses) on financial instruments	5,864	5,845	3,408
Administration expenses	(707)	(702)	(862)
Employee expenses	(1,792)	(2,925)	(3,302)
Occupancy costs	(180)	(112)	(5)
Professional fees	(1,653)	(695)	(779)
Acquisition costs	-	-	(1,255)
Total operating expenses	**1,532**	**1,411**	**(2,795)**
EBITDA	**5,881**	**8,090**	**4,181**
Depreciation and amortisation expense	(232)	(134)	(130)
EBIT	**5,649**	**7,956**	**4,051**
Interest income	80	230	295
Interest expenses	(26)	(12)	(500)
Profit/(loss) before tax	**5,703**	**8,174**	**3,846**
Income tax benefit / (expense)	(103)	-	1,061
Profit/(loss) after tax	**5,600**	**8,174**	**4,907**

Source: H&G
Note: FY25 YTD is as at 31 December 2024.

In relation to the historical financial performance of H&G set out above, we note the following:

- H&G reports its financial statements as an investment entity, which means investments are not consolidated, even if they are controlled by H&G.
- Mountcastle contributed to the majority of H&G's dividend income, growing from 57% in FY22 to 90% in FY24. The dividend growth was underpinned by strong business performance and an increase in ownership interest from 49.4% to 100% over the periods.
- Finance income relates to interest from fixed interest and convertible note investments with interest rates ranging from 10% to 16%. The increase in FY23 was driven by an investment in convertible notes of Mint Payments and a new investment in the H&G Causeway Dynamic Credit fund.
- Funds management income includes establishment fees, management fees and performance fees received. The increase in FY23 is a result of advisory fees relating to the Mountcastle acquisitions and sub underwriting fees received from Anagenics.
- Rental income relates to subleasing of office space.
- The decrease in the fair value gains/losses on financial instruments in FY24 was primarily due to a smaller valuation gain on Mountcastle compared to previous periods following an asset swap of Hyde Road Property Trust as partial consideration for the Mountcastle transaction. The reduction in the fair value gain was partially offset by an uplift in the fair value of Disruptive Packaging.

- Employee expenses are the largest cost of the business. The significant increase in FY23 was driven by recruitment (including two investment analysts, a Chief Financial Officer and a director) as well as short-term bonus payments. The rise in FY24 was predominantly attributed to the issuance of 24.5 million new shares under a loan-funded employee share plan and 10 million performance rights that vested during the year.
- Acquisition costs of $1.2 million in FY24 relate to the acquisition of SB.
- The income tax benefit recognised in FY24 was primarily the result of taxable income being reduced by $6.4 million in non-assessable income, leading to a loss for tax purposes.
- The decline in profitability in FY24 was mainly due to one-off items associated with the acquisition of Mountcastle and fair value movements on unlisted investments.

5.6 Financial position

The audited statements of financial position as at 30 September 2022, 30 September 2023 and 30 September 2024 are set out in the table below.

Table 15: H&G's financial position

$'000	30-Sep-22	30-Sep-23	30-Sep-24
Current assets			
Cash	13,508	5,644	16,465
Receivables	2,662	1,245	2,597
Prepayments	113	142	125
Current financial assets	11,601	17,933	24,155
Total current assets	**27,884**	**24,964**	**43,342**
Non-current assets			
Property, plant and equipment	39	13	9
Right-of-use assets	206	150	21
Intangible assets	712	712	712
Deferred tax assets	-	-	533
Non-current financial assets	36,339	44,377	74,149
Total non-current assets	**37,296**	**45,252**	**75,424**
Total assets	**65,180**	**70,216**	**118,766**
Current liabilities			
Payables	(727)	(179)	(173)
Lease liabilities	(262)	(128)	(21)
Deferred acquisition liability	-	-	(8,514)
Current provisions	(60)	(580)	(813)
Total current liabilities	**(1,049)**	**(887)**	**(9,521)**
Non-current liabilities			
Non-current lease liabilities	(23)	(22)	-
Non-current provisions	(34)	(60)	(58)
Total non-current liabilities	**(57)**	**(82)**	**(58)**
Total liabilities	**(1,106)**	**(969)**	**(9,579)**
Net assets	**64,074**	**69,247**	**109,187**

Source: H&G

In relation to the historical financial position of H&G set out above, we note the following:

- The receivables balance in FY22 includes deferred considerations of $1 million from the sale of BLC Cosmetics and a loan advanced to the Hyde Road Trust for a deposit on a property. The increase in the receivable balance in FY24 was primarily due to a loan advanced to Mountcastle for a previous acquisition and Mountcastle's tax provision recognised in the head entity upon entry into the tax consolidated group.
- Financial assets have increased year-on-year with the growth in FY24 mainly underpinned by the acquisition of Mountcastle and the fair value movement in investments.
- H&G recognised net deferred tax assets on tax timing adjustments and carried forward tax losses in FY24, following the acquisition of Mountcastle on the basis that Mountcastle will generate sufficient taxable profit to utilise these deferred tax assets in the future.
- The deferred acquisition liability in FY24 relates to the partial consideration for the Mountcastle acquisition under the share purchase agreement to the Mountcastle vendors. The balance mainly comprises a $3.6 million loan facility for Hyde Road with a maturity date of 30 June 2025 and a deferred payment of $5 million payable on 31 March 2025. The increase in the liability as at 31 December 2024 relates to $17.5 million in deferred consideration for the acquisition of SB.
- H&G maintained a positive net asset position over these periods. The substantial increase in the net asset position in FY24 was predominantly attributed to the Mountcastle acquisition.
- Subsequent to 30 September 2024, H&G completed the acquisition of SB and recognised a new investment of approximately $60 million.

5.7 Cash flows

The audited statements of cash flows for the periods ended 30 September 2022, 30 September 2023 and 30 September 2024 are set out in the table below.

Table 16: H&G's cash flows

$'000	FY22	FY23	FY24
Cash flows from operating activities			
Receipts from customers	1,295	1,429	2,063
Payments to suppliers	(3,797)	(3,982)	(5,266)
Dividends received	2,611	2,739	5,022
Interest received	572	994	910
Interest paid	(17)	(7)	(22)
Net cash inflow/(outflow) from operating activities	**664**	**1,173**	**2,707**
Cash flows from investing activities			
Proceeds from disposal of investments	33,709	20,498	7,295
Purchase of investments	(37,695)	(21,304)	(21,220)
Loans provided	(5,294)	(8,635)	-
Loans repaid	5,000	3,737	4,010
Payments for property, plant and equipment	-	(15)	(3)
Net cash inflow/(outflow) from investing activities	**(4,280)**	**(5,719)**	**(9,918)**
Cash flows from financing activities			
Proceeds from issuance of shares	15,150	-	26,494
Share issuance costs	(801)	-	(1,337)
Dividends paid	(4,018)	(3,362)	(5,497)
Payment of lease liabilities	(241)	(171)	(128)
Loans received - dynamic credit fund	-	-	-
Loans with related parties	(333)	13	(1,500)
Net cash inflow/(outflow) from financing activities	**9,757**	**(3,520)**	**18,032**
Net increase/(decrease) in cash	6,141	(8,066)	10,821
Cash and cash equivalents at beginning of period	7,569	13,710	5,644
Cash and cash equivalents at end of period	**13,710**	**5,644**	**16,465**

Source: H&G
Notes:
1. *We understand there is a $0.2 million difference between the cash and cash equivalents stated in the 30 September 2022 balance sheet and the cash and cash equivalents stated at the end of the period in the above statement of cash flows. This reconciling item relates to a term deposit carried forward from the prior period.*
2. *FY25 YTD is as at 31 December 2024.*

In relation to the historical cash flows of H&G set out above, we note the following:

- Cash and cash equivalents balance fluctuated over the past three years. The significant decline in FY23 was primarily driven by a net outflow from investment activities which included the acquisition of a further 40.3% interest in Mountcastle and dividend payments. The subsequent recovery in FY24 is mainly attributed to capital raised for the Mountcastle and SB transactions and other growth opportunities.
- Net cash inflow from operating activities has increased over the periods. The increase in FY24 was predominantly driven by higher dividend payments from Mountcastle.
- Proceeds from the disposal of investments in FY22 included consideration from the sale of Pegasus and BLC Cosmetics. The amount in FY23 partly related to the disposal of HGL Logistics Pty Limited and Hamlon Pty Ltd.
- H&G has undertaken multiple capital raisings over the past three years, with the placement in FY22 related to further investment in Mountcastle, the Hyde Road Trust and the initial syndicated investment in Disruptive Packaging.

5.8 Capital structure and shareholders

As at 28 January 2025, H&G had a total of 480,493,695 ordinary shares on issue. The following table sets out details of H&G's substantial shareholders as at that date:

Table 17: H&G's substantial shareholders

Shareholder	No. of shares held	% substantial ownership
James Family Investments Ltd	68,000,777	14.2%
Perennial Value Management Limited	44,230,656	9.2%
AD & MP Beard ATF AD & MP Beard Superannuation Fund	37,197,332	7.7%
Substantial shareholders	**149,428,765**	**31.1%**
Other shareholders	331,064,930	68.9%
Total	**480,493,695**	**100.0%**

Source: H&G
Note: The total shareholding includes 27.25 million loan funded employee shares.

As at 28 January 2025, H&G also had the following securities on issue:

- 10 million performance rights, vested on 1 January 2024 but unexercised as at 30 September 2024.
- 3 million performance rights, granted on 15 January 2025 with vesting over 3 years from 30 September 2026. The vesting condition is based on total shareholder return ("**TSR**") calculated on a compounding basis from an initial price of 30 cents per share.
- 24.75 million loan funded employee shares were issued to H&G and Mountcastle executives during the year, of which 19.5 million were issued to H&G key management personnel ("**KMP**").
- The loan funded shares issued to KMP are divided into five equal tranches (other than 7.5 million loan funded shares which are divided into three equal tranches) with vesting commencing one year after issuance.
- The remaining loan funded shares were issued to Mountcastle executives and will vest over three years beginning one year after issuance on the same terms as those for H&G KMP.
- 2.5 million loan funded shares were issued to KMP on 15 January 2025, vesting over 3 years starting from 30 September 2026.

5.9 Share trading

The following chart shows the market trading of H&G shares, for the 12 months to 28 January 2025:

Figure 10: H&G's share trading over the last 12 months

Source: S&P Capital IQ

In relation to the trading of H&G shares over the past 12 months, we note the following:

- Shares were moderately liquid, with an average daily value traded of approximately $32,000 at a VWAP of $0.34 over the period.
- There were some periods without trading in H&G shares. Out of 254 share market trading days over the period, H&G shares traded on 203 days. The average daily volume represents approximately 0.021% of ordinary shares on issue and 0.042% of the free float.
- Overall, H&G share prices have steadily declined over the past year from approximately $0.43 per share to $0.30 per share at the end of the period.
- The spike in trading on 11 July 2024 relates to large trades by a former substantial shareholder in H&G.
- The spike in trading on 16 September 2024 followed the announcement of H&G's acquisition of SB.
- The spike in trading on 20 December 2024 partly relates to the issue of 1.2 million new shares under a dividend reinvestment plan.

6 VALUATION METHODOLOGY

6.1 Available valuation methodologies

To estimate the market value of the Portfolio Assets and the consideration being offered, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- The discounted cash flow method
- The capitalisation of future maintainable earnings method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

6.2 Selected methodology – Portfolio Assets of HCF

In selecting an appropriate valuation methodology for the Portfolio Assets of HCF, we have considered the following:

Table 18: Consideration of methodologies – Portfolio Assets

Method	Considerations	Approach
Asset based methods	♦ As HCF is an investment holding company, its value is derived from its underlying investments. ♦ HCF's investments are publicly traded on the ASX. Their market values can therefore be determined with reference to their trading prices.	Selected
Share trading	♦ Share market trading in HCF shares has been relatively illiquid, with periods where no shares have been traded. ♦ The equity value of HCF could be derived from its share market trading (the illiquidity of HCF shares notwithstanding). However, the value of its Portfolio Assets would have to then be implied from HCF's equity value. ♦ Therefore, an analysis of share market trading is not as reliable as an asset-based method as a primary valuation methodology in assessing the market value of the Portfolio Assets.	Cross-check
Discounted cash flow	♦ There are no long-term cash flow forecasts available to perform a discounted cash flow analysis for each of HCF's investments and it would be impractical to develop forecasts. ♦ Therefore, the discounted cash flow method is not appropriate.	Not considered
Capitalisation of earnings	♦ Since HCF's investments are publicly traded on the ASX, a capitalisation of earnings method is no more reliable than an asset-based method.	Not considered

6.3 Selected methodology - Consideration

Since the Consideration comprises shares of H&G being issued and shares of HCF being cancelled, we have considered appropriate valuation methodologies for each below.

6.3.1 Consideration Shares

In selecting an appropriate valuation methodology for the Consideration Shares, we have considered the following:

Table 19: Consideration of methodologies – Consideration Shares

Method	Considerations	Approach
Share trading	♦ Trading in H&G shares is moderately liquid, indicating that the share price is likely to adequately reflect expectations of future performance. ♦ H&G discloses the values of its key investments on a half-yearly basis and provides earnings guidance on their performance. Therefore, the market is relatively well informed. ♦ If the Proposed Transaction is approved, Shareholders will receive H&G shares as consideration. In the near-term, those shares could be sold at, or close to, the prevailing market price. If a Shareholder chose to hold H&G shares longer term that is a separate investment decision that is not the subject of this report.	Selected
Asset based methods	♦ H&G's value is derived from its underlying investments. ♦ H&G regularly assesses and reports on the fair value of its underlying investments for financial reporting purposes. ♦ A major component (approximately 75%) of the value of H&G's investments is attributable to the Global Uniform Solutions business. The value of this business can be implied from the trading price of H&G's shares, after deducting the value of the other net assets of H&G. Market multiples for Global Uniform Solutions can then be implied based on historical and forecast earnings of the business and compared to market multiples of comparable listed companies.	Cross-check
Capitalisation of earnings	♦ In the short-term, we do not anticipate the Proposed Transaction will have a material impact on the price of H&G shares, as evidenced by share trading since the announcement of the Proposed Transaction. Thus, the capitalisation of earnings approach is less relevant to a Shareholder's decision about the Proposed Transaction than the analysis of share trading. ♦ As H&G is an investment holding company, its value is derived from its underlying investments. H&G's earnings are therefore not a good representation of the value of the business. ♦ We have utilised a capitalisation of earnings method to assess the reasonableness of market implied multiples for Global Uniform Solutions as part of the net assets cross-check. ♦ There are a number of listed companies comparable to Global Uniform Solutions for which there is sufficient information available to determine market multiples.	Utilised as part of the asset based cross-check
Discounted cash flow	♦ As with the capitalisation of earnings approach, we consider the analysis of share trading to be more relevant to a shareholder's decision than a discounted cash flow analysis.	Not considered

6.3.2 Cancellation Shares

In selecting an appropriate valuation methodology for the Cancellation Shares, we have broadly adopted the same valuation methodology as set out in Section 6.2, whilst considering appropriate discounts to the NTA of HCF.

6.4 Selected methodology – Post-Transaction HCF Shares

As set out in Section 2.2, we have considered the value of the HCF holdings of Shareholders pre and post-transaction as part of our assessment of the advantages and disadvantages of the Proposed Transaction. Part of this assessment includes consideration of the value of an HCF share after the Proposed Transaction.

Since HCF would be a listed shell company after the Proposed Transaction, we consider an asset-based method to be the most appropriate method to value a post-transaction share in HCF, with particular consideration given to the value inherent in its status as a listed shell company.

7 VALUATION OF PORFTOLIO ASSETS

7.1 Summary

We have assessed the market value of the Portfolio Assets of HCF using the net assets method on a going concern basis, as summarised in the table below.

Table 20: Valuation summary of the Portfolio Assets

$'000	Book value as at 28 Feb	Net Adjustment Low	Net Adjustment High	Market Value Low	Market Value High
Portfolio assets					
Cash	2,964	(568)	(568)	2,396	2,396
Accounts receivable	44	-	-	44	44
Shares in listed companies	18,461	-	-	18,461	18,461
Listed options	209	(81)	(33)	128	176
Deferred tax asset on investments	938	(938)	(938)	-	-
Total	**22,616**	**(1,588)**	**(1,540)**	**21,028**	**21,076**

Source: HCF and Leadenhall analysis

7.2 Valuation analysis

In determining the market value of the Portfolio Assets, we have conducted our valuation analysis as at 28 February 2025. Our analysis in respect of each of the assets and liabilities identified in Section 7.1 is set out below.

Cash on hand

As at 28 February 2025, a total of $2.96 million in cash was held by HCF. A Retention Amount of $0.57 million is expected to be retained by HCF as part of the Proposed Transaction to fund the costs associated with the transaction and to settle any outstanding liabilities. We have excluded the Retention Amount in determining the value of the Portfolio Assets.

Table 21: Cash balance of HCF

$'000	
Cash balance	2,964
Less: Retention amount	(568)
Total	**2,396**

Source: HCF
Note: The retention amount is estimated and may differ on completion of the Proposed Transaction based on actual transaction costs incurred and movements in the liabilities of HCF.

Accounts receivable

HCF has provided an accounts receivable ledger as at 28 February 2025. The receivables relate to dividends receivable from listed investments. We have assumed the receivables to be recoverable in full. Based on the above, we have assessed the value of accounts receivable to be $0.04 million.

Shares in listed companies

In determining the value of the shares in listed companies, we have adopted closing prices as at 28 February 2025. The summary of the investments is set out in the table below.

Table 22: HCF's shares in listed companies

Shares in listed companies			
Company	**No. of shares ('000)**	**Share price ($) as at 28 Feb 25**	**Market value ($'000)**
Eildon Capital Group	3,666	0.95	3,482
Coventry Group	2,735	1.15	3,145
ARN Media Limited	2,972	0.61	1,798
Veem Ltd	2,050	0.87	1,783
FOS Capital Ltd	3,893	0.34	1,324
Top 5 largest investments			**11,533**
Other listed investments			6,928
Total market value of listed investments			**18,461**

Source: Leadenhall analysis

Market trading in these investments is well informed as they are listed companies with continuous disclosure obligations under the ASX Listing Rules.

With the exception of Eildon Capital Group, the five largest investments of HCF are moderately liquid with average daily value traded ranging from $4,851 to $236,801 over the twelve-month period to 14 February 2025. Out of 254 share market trading days over the period, these companies traded at between 126 and 254 days.

In contrast, the market trading in Eildon Capital Group is relatively illiquid with only 63 days with trading in its shares and an average daily value traded of $3,744 over the same period. We consider the share price of Eildon Capital to be a reasonable basis for assessing its market value for the following reasons:

- Eildon Capital Group experienced a substantial reduction in its scale and its assets under management from $387 million to $189 million following the sale of various assets to the Trilogy Group in September 2024.
- The company traded at significant discount to its NTA at 17% as at 30 June 2024, which is broadly consistent with observed market data on discounts to NTA for LICs of this size and in this industry.

Given the majority of the HCF investment portfolio is liquid, we consider the share price of these investments to be representative of their market value. As a result of this analysis, we have assessed the value of the shares in listed companies to be $18.5 million.

Listed options

The listed options in Universal Biosensors Ltd are highly illiquid and they were last traded on 13 December 2024. The share price of Universal Biosensors Ltd has declined substantially since 13 December 2024 from $0.125 to $0.077 as at 19 February 2025. As a result, we have revalued the listed options in Universal Biosensors using the Black-Scholes option pricing model assuming a volatility of 70% to 80% and no dividends over the option period.

As a result of this analysis, we have assessed the value of the listed options to be in the range of $0.1 million to $0.2 million.

Deferred tax asset on investments

The deferred tax asset on the investments represents the tax-effected unrealised loss in value over the tax cost base, based on their current market value. Any potential acquirer would likely be acquiring the investments at market value, thus resetting the tax cost base for the acquirer. Therefore, we do not consider that HCF would be able to extract any value from the unrealised loss in a sale process. As such, we have assumed nil value for these unrealised losses for the purpose of our valuation.

7.3 Cross-check

Market trading in HCF shares provides an indication of the market's assessment of the equity value of HCF, against which we can compare the value of HCF's net assets, including the Portfolio Assets. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- HCF shares are reasonably widely held. However, HCF shares had an average daily value traded of only $6,015 over the twelve-month period prior to the announcement of the Proposed Transaction on 13 January 2025. The daily value traded in HCF's shares is below the level at which many institutional investors may wish to trade and may be seen as a deterrent for other significant investors.
- HCF is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. Furthermore, HCF makes regular disclosures of its NTA per share on a monthly basis.
- HCF has no sell-side research coverage and limited institutional investors which limits the liquidity of its shares.

As a result of these factors, we consider the market trading in HCF shares to be reasonably well informed but relatively illiquid. Notwithstanding the limited liquidity, we consider an analysis of recent market trading to be a reasonable cross-check of the value of HCF's net assets and by extension the Portfolio Assets.

We have assessed the market value of the net assets of HCF using the net asset method on a going concern basis, as summarised in the table below.

Table 23: Valuation summary of HCF's net assets

$'000	Book value as at 28 Feb	Net Adjustment		Market Value	
		Low	High	Low	High
Assets					
Portfolio Assets[1]	21,678	(650)	(602)	21,028	21,076
Deferred tax asset on investments	938	(469)	(469)	469	469
Retention Amount	-	568	568	568	568
Other assets	27	-	-	27	27
Total assets	**22,643**	**(550)**	**(502)**	**22,093**	**22,141**
Liabilities	(397)	-	-	(397)	(397)
Net assets	**22,246**	**(550)**	**(502)**	**21,696**	**21,744**
Value allocated to ordinary shares	**22,246**	**(550)**	**(502)**	**21,696**	**21,744**
Shares outstanding ('000)	24,381	24,381	24,381	24,381	24,381
Value of HCF's net assets per share ($)	**0.91**	**(0.02)**	**(0.02)**	**0.89**	**0.89**

Source: HCF and Leadenhall analysis

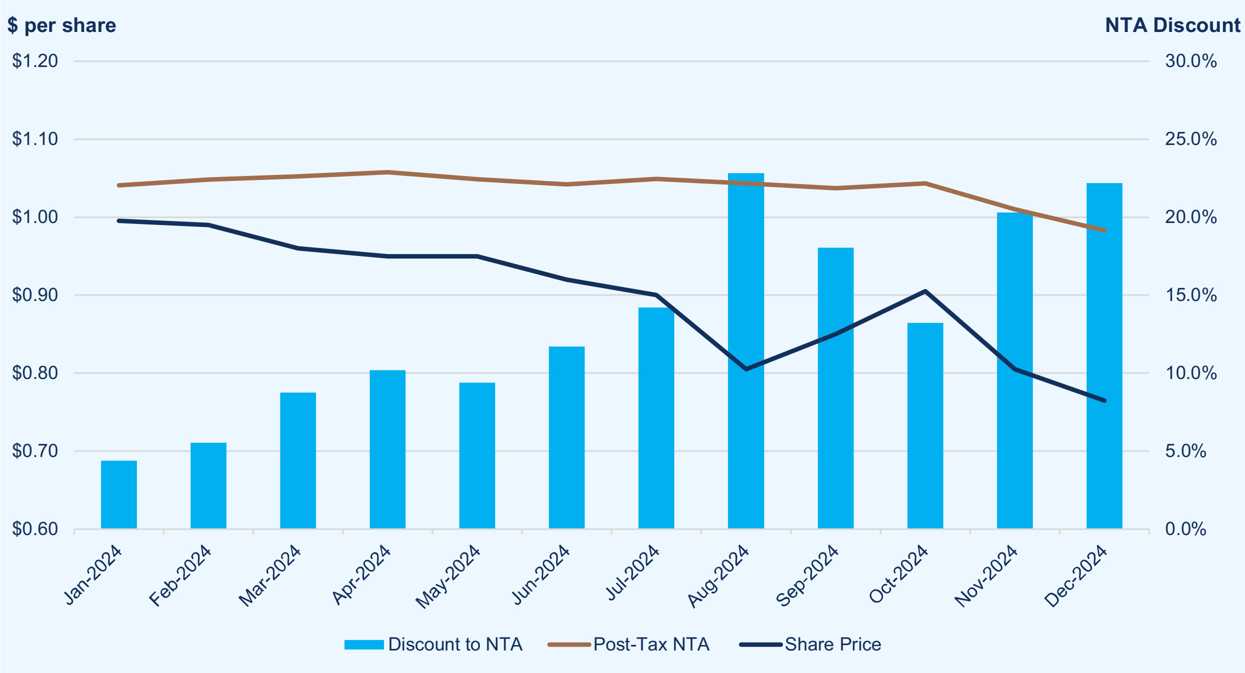
We have added 50% of the value of the deferred tax asset back to NTA as HCF would likely be able to realise some of its value through normal trading. A 50% discount was assumed due to the uncertainty associated with the timing and quantum of utilisation of these losses by HCF.

We consider the book value of the other assets and liabilities of HCF to be representative of their market value as these are largely comprised of tax liabilities. Based on the above, we have assessed the market value of the net assets of HCF to be $0.89 per share.

HCF shares traded at $0.765 as at 10 January 2025, prior to the announcement of the Proposed Transaction, which implies a discount of approximately 14% to our assessed post-tax NTA per share of $0.89. In order to assess the reasonableness of this discount, we have had regard to historical discounts to NTA implied by the trading of HCF shares and market data on NTA discounts.

The following chart shows the post-tax NTA discount implied by the share price of HCF over a twelve-month period to 31 December 2024.

Figure 11: HCF's share price and post-tax NTA per share over the year to 31 December 2024



Source: HCF and Leadenhall analysis

In assessing the reasonableness of the discount, we have considered the following:

- HCF is considered a micro-cap LIC and is also in the bottom quartile of LICs in terms of size. Market data shows that micro-cap LICs traded at an average discount of 18.2% over the last twelve months to 30 November 2024, widening to 22.3% as at 30 November 2024. The bottom quartile of LICs, on average, traded at a discount of 26.4% as at 31 December 2024.
- As set out in Figure 11, the post-tax discount to NTA in HCF shares has widened from 12% to 22% in the last six months to 31 December 2024, with an average discount of 18%. This is attributed to a combination of the departure of the previous portfolio manager, selling pressure from a large shareholder, poor performance of the underlying investments and a disproportionately high expense ratio stemming from its small asset base. Unless HCF is able to improve its investments performance or attain economies of scale, a significant discount to NTA is likely to be sustained in the future.
- The market value of the portfolio has declined since 10 January 2025. In the absence of the Proposed Transaction, HCF's share price would likely have declined.

Based on the above, we consider the implied 14% discount to our assessed value of HCF's net assets to be reasonable. Therefore, this provides broad support for our assessed value of the Portfolio Assets based on the net assets approach.

7.4 Conclusion

Based on our net assets analysis, we have assessed the market value of the Portfolio Assets to be $21.0 million to $21.1 million.

8 VALUATION OF CONSIDERATION

8.1 Introduction

The consideration is comprised of 62.8 million Consideration Shares to be issued and the cancellation of 4.97 million Cancellation Shares. We have determined the market value of the Consideration Shares using an analysis of share market trading in H&G shares and the market value of the Cancellation Shares using an asset-based method, after applying an appropriate discount to the net assets of HCF and taking into consideration the market trading of its shares.

We have cross-checked the value of an H&G share by implying EBITDA multiples for the Global Uniform Solutions group and comparing these multiples to market trading multiples of comparable listed businesses.

8.2 Consideration Shares

8.2.1 Analysis of share market trading

We consider that market trading in H&G shares is reasonably well-informed and moderately liquid with a reasonably wide spread of shareholders. As such, we consider an analysis of recent share market trading to be a reasonable basis to determine the market value of the Consideration Shares.

The Consideration Shares represent post-transaction shares in H&G. As such, we have primarily analysed trading in H&G shares since the announcement of the Proposed Transaction on 13 January 2025. Between 13 January 2025 and 19 February 2025, H&G shares traded between $0.26 and $0.31 per share, with a VWAP of $0.28 and average daily value traded of approximately $26,473. The share price as at 19 February 2025 was $0.265.

We have also considered the following:

- Due to its relatively small size, H&G is susceptible to volatility in its share price.
- We understand that a former substantial holder has been steadily selling down their interest in H&G, which may be contributing to a sustained decline in the share price.
- The post-announcement share price is likely to include some discount for the risk of the transaction failing to proceed.

Based on recent share market trading after the announcement of the Proposed Transaction, we have assessed the value of an H&G share to be in the range of $0.28 to $0.31 per share.

8.2.2 Cross-check

Since the largest component of H&G is its investment in Global Uniform Solutions, we have performed a cross-check of the value of an H&G share by implying the equity value of H&G from market trading of its shares and deducting the value of H&G's other net assets (other than Global Uniform Solutions) to determine the implied value of Global Uniform Solutions. We have then calculated implied EBITDA multiples for Global Uniform Solutions and compared these multiple to market trading multiples of comparable listed businesses.

Based on the selected value of an H&G share of between $0.28 and $0.31, the enterprise value and current and forecast EBITDA multiples of Global Uniform Solutions are set out in the table below:

Table 24: Implied multiples of Global Uniform Solutions

Implied Multiples Cross-Check Summary		
($'000)	Low	High
Ordinary H&G shares on issue ('000)	453,244	453,244
Vested performance rights ('000)[1]	10,000	10,000
Diluted shares on issue ('000)	**463,244**	**463,244**
Assessed value per H&G share ($)	0.28	0.31
Value of diluted shares on issue	**129,708**	**143,606**
Value of loan-funded shares	2,899	3,467
Total equity value	**132,607**	**147,073**
Net assets excl. Global Uniform Solutions	(12,213)	(15,372)
Implied equity value of Global Uniform Solutions	**120,394**	**131,700**
Net debt of Global Uniform Solutions[2]		
Cash	(4,014)	(4,014)
Debt	29,220	29,220
Related party and shareholder loans	2,241	2,241
Enterprise value of Global Uniform Solutions	**147,840**	**159,146**
Implied EBITDA multiple		
FY25 (Current)	8.5x	9.1x
FY26 (Forecast)	7.4x	7.9x

Source: H&G and Leadenhall analysis
Notes:
1. *There are 10 million performance rights which have vested in full (but remain unexercised) and another 3 million which were recently issued and only vest over the next three years. We have adjusted (increased) the number of shares on issue by the 10 million vested performance rights. We have not assumed any vesting of the remaining 3 million performance rights. This assumption has a negligible impact on our analysis.*
2. *The components of net debt are based on the consolidated Global Uniform Solutions balance sheet as at 31 December 2024.*

Our analysis in respect of key items and assumptions utilised in implying these multiples is set out below.

Loan-funded shares

For the purpose of this analysis, we have assumed that the loan-funded shares vest in full. This assumption has a negligible impact on our analysis.

Given the relatively small impact that the option value of these loan-funded shares has on our analysis, we have undertaken a simplified valuation of these shares using the Black-Scholes option pricing model. We have made the following simplified assumptions:

- **Volatility**: Volatility of 50% in H&G's share price based on H&G historical volatility.
- **Dividend yield**: No dividend yield as we understand that the holders of the loan-funded shares are entitled to dividends.
- **Risk-free rate**: Being the yield on government bonds matching the assumed life of the loan-funded shares.

Based on the above, we have assumed a value for the loan-funded shares of between $2.9 million and $3.5 million.

Net assets ex. Global Uniform Solutions

We have utilised the H&G balance sheet as at 31 December 2024 for our analysis of its net assets, excluding Global Uniform Solutions. A summary of this analysis is set out below:

Table 25: Other net assets of H&G

Other H&G Net Assets as at 31 December 2024		
($'000)	**Low**	**High**
Listed investments	13,426	13,426
Unlisted investments ex. Global Uniform Solutions	22,578	25,737
Cash	1,435	1,435
Other assets and liabilities	(25,226)	(25,226)
Net assets ex. Global Uniform Solutions	**12,213**	**15,372**

Source: H&G and Leadenhall analysis

We have set out our analysis in respect of the above as follows.

Listed investments

The value of listed investments is based on their market trading prices as at 31 December 2024.

Unlisted investments

Management have provided an assessment of the valuation ranges for the unlisted investments. The low end of the range is in line with valuations utilised for financial reporting as at 30 September 2024 and are generally based on the book values of the investments, except for the value of Disruptive Packaging which is being held at a market-implied value based on a previous transaction in its shares. Management consider the low end of the valuation range to be conservative given the investments have continued to perform well since the last reporting date.

The high end of the range incorporates an uplift in the value of two investments, one based on a recent transaction in the shares of the investee company and one based on a discounted cash flow analysis of the company. We have reviewed these analyses and do not consider them to be unreasonable for this purpose.

Cash and other assets and liabilities

We have assumed the value of cash and other assets and liabilities are consistent with their book value.

These primarily comprise deferred acquisition liabilities from the acquisitions of further interests in Mountcastle and the recent acquisition of SB, and loans to and from investee companies.

Implied earnings multiples of Global Uniform Solutions

H&G management have provided a consolidated financial model to FY26 for Global Uniform Solutions. In respect of the forecast financial performance of Global Uniform Solutions, we note:

- Revenue is expected to grow at between 7% and 9% over the next two years, underpinned by new contracts signed with new schools not currently served. We understand that SB has secured a pipeline of new schools for FY25 and is already in discussions with other schools in respect of FY26. More moderate growth is expected for Mountcastle in FY25 as the business invests in optimising product lines and implementing new systems in preparation for future growth.
- Forecast EBITDA and EBIT margins are expected to remain broadly in line with historical margins, after adjusting for various one-off costs incurred by SB in FY24 primarily in respect of the sale of the business and duplicate warehousing costs arising from a period of consolidation of warehousing facilities.

Nothing has come to our attention which would suggest that the forecast earnings for Global Uniform Solutions, when taken as a whole, are unreasonable for the purpose of our cross-check.

Reasonableness of implied multiples

In assessing the reasonableness of the multiples implied for the Global Uniform Solutions business, we have considered the earnings multiples of publicly listed companies that operate businesses with similar industry exposure to Global Uniform Solutions, in both Australia and globally. The following table sets out the current and forecast multiples for these companies:

Table 26: Trading multiples of comparable companies

Company	Country	Market Cap (A$m)	EBITDA multiple Current	EBITDA multiple Forecast	EBITDA margin	EBITDA growth	Revenue growth
Australian and New Zealand apparel							
Premier Investments Limited	Australia	3,837	15.9x	13.3x	30%	19%	9%
Accent Group Limited	Australia	1,200	5.5x	5.0x	20%	10%	7%
Universal Store Holdings Limited	Australia	644	7.5x	6.8x	28%	11%	10%
Hallenstein Glasson Holdings Limited	New Zealand	460	5.2x	4.9x	22%	7%	5%
KMD Brands Limited	New Zealand	256	4.1x	3.4x	16%	20%	6%
Step One Clothing Limited	Australia	235	9.7x	8.6x	21%	12%	9%
City Chic Collective Limited	Australia	57	11.0x	6.3x	6%	74%	7%
Average			**8.4x**	**6.9x**	**21%**	**22%**	**8%**
Median			**7.5x**	**6.3x**	**21%**	**12%**	**7%**
International uniform manufacturers and distributors							
Cintas Corporation	United States	129,428	30.3x	28.0x	27%	8%	7%
UniFirst Corporation	United States	6,211	11.3x	10.6x	14%	7%	4%
Vestis Corporation	United States	2,833	9.0x	8.4x	12%	7%	3%
FIGS, Inc.	United States	1,467	11.7x	11.0x	11%	6%	6%
Lands' End, Inc.	United States	579	7.1x	6.6x	7%	8%	2%
Superior Group of Companies, Inc.	United States	381	8.3x	7.2x	7%	16%	5%
Lakeland Industries, Inc.	United States	358	14.9x	9.3x	10%	61%	22%
Average			**13.2x**	**11.6x**	**13%**	**16%**	**7%**
Median			**11.3x**	**9.3x**	**11%**	**8%**	**5%**

Source: S&P Capital IQ and Leadenhall analysis as at 17 February 2025

It should be noted that these multiples are based on trading of minority positions. In contrast, we are considering a 100% controlling interest in Global Uniform Solutions. Therefore, consideration must be given to observed control premiums in the Australian market and the impact on the minority trading multiples of the comparable companies, if applied.

We consider that the above analysis is broadly supportive of our analysis of the share market trading of H&G for the following reasons:

- Global Uniform Solutions is smaller than the majority of the comparable companies set out above. In particular, the US-based companies are all significantly larger than Global Uniform Solutions, with the smallest company being approximately two to three times larger. All other things being equal, smaller companies trade on lower multiples.
- The Australian and New Zealand companies are apparel retail companies which are more exposed to changing consumer preferences and the economic cycle. Global Uniform Solutions is likely to have a more stable recurring revenue base and less volatile earnings given demand for school uniforms is relatively inflexible. Therefore, we would expect Global Uniform Solutions to command a higher multiple than broader apparel retail companies, all other things being equal.
- The US-based companies all have exposure to uniform manufacturing and/or distribution (primarily workwear) and are therefore more comparable to Global Uniform Solutions in terms of business model. However, the three largest companies (Cintas Corporation, UniFirst Corporation and Vestis Corporation) provide uniform rental instead of retail or wholesale. These companies are therefore likely to have more stable revenue streams and command higher multiples than Global Uniform Solutions.
- Global Uniform Solutions' EBITDA margins are generally higher than the comparable US businesses but lower than the Australian retail companies. All other things being equal, companies with higher margins trade on higher multiples.

- Generally, companies which are expecting significant growth trade on higher multiples. Global Uniform Solutions' forecast growth is broadly in line with the Australian and New Zealand businesses but slightly higher than most of the US business. Similarly, Lakeland Industries, Inc. is expected to grow rapidly in the short-term. This is likely contributing to its high multiples despite being on the smaller end of the range of uniform-related companies.
- Lands' End, Inc. has significant exposure to broader apparel retail, with a relatively small focus on its business-to-business work and school uniform offerings, which may be contributing to its lower multiples.

Based on the analysis set out above, we consider the implied earnings multiples for the Global Uniform Solutions business to be reasonable. This provides broad support for our valuation based on the share market trading of H&G shares.

8.2.3 Assessed value of Consideration Shares

Based on the analysis above, the assessed value of the Consideration Shares is set out in the table below:

Table 27: Valuation summary - consideration shares

Valuation Summary - Consideration Shares ($'000)		
Description	**Low**	**High**
Assessed value per H&G share ($)	0.28	0.31
Number of shares to be issued ('000)	62,794	62,794
Assessed value of Consideration Shares	**17,582**	**19,466**

Source: Leadenhall analysis

8.3 Cancellation Shares

8.3.1 Net assets on a going concern basis

In determining the market value of the Cancellation Shares, we have assessed the market value of the net assets of HCF and applied an appropriate discount, reflecting likely market NTA discounts in the absence of the Proposed Transaction.

We have assessed the market value of the net assets of HCF in Section 7.3 above. Our assessed market value of HCF's net assets is $21.7 million or $0.89 per share.

Selected NTA Discounts

In assessing an appropriate NTA discount for HCF in the absence of the Proposed Transaction, we have had regard to our analysis in Section 7.3 and selected a discount of 15% to 20% to apply to the net assets of HCF. This implies a market value per share of $0.71 to $0.76.

8.3.2 Cross-check

HCF traded at $0.765 per share for the last ten trading days prior to the announcement of the Proposed Transaction. Given the decline in the value of the portfolio since then, we consider that this provides broad support for our assessed value of an HCF share of $0.71 to $0.76 per share.

8.3.3 Conclusion

We assessed the market value of the Cancellation Shares to be $3.5 million to $3.8 million as summarised in the table below.

Table 28: Valuation Summary- Cancellation Shares

Valuation Summary - Cancellation Shares ($'000)		
Description	**Low**	**High**
Assessed value of HCF's net assets before the Proposed Transaction	21,696	21,744
Selected NTA discount	20%	15%
Assessed equity value of HCF before the Proposed Transaction	**17,357**	**18,482**
Number of share on issue	24,381	24,381
Assessed value of an HCF share before the Proposed Transaction	**0.71**	**0.76**
Number of Cancellation Shares	4,975	4,975
Total value of Cancellation Shares	**3,541**	**3,771**

Source: Leadenhall analysis

8.4 Assessed value of Consideration

Based on the analysis above, the assessed value of the Consideration is set out in the table below:

Table 29: Valuation summary - Consideration

Valuation Summary - Consideration ($'000)		
Description	**Low**	**High**
Assessed value of Consideration Shares	17,582	19,466
Assessed value of Cancellation Shares	3,541	3,771
Total value of Consideration	**21,124**	**23,237**

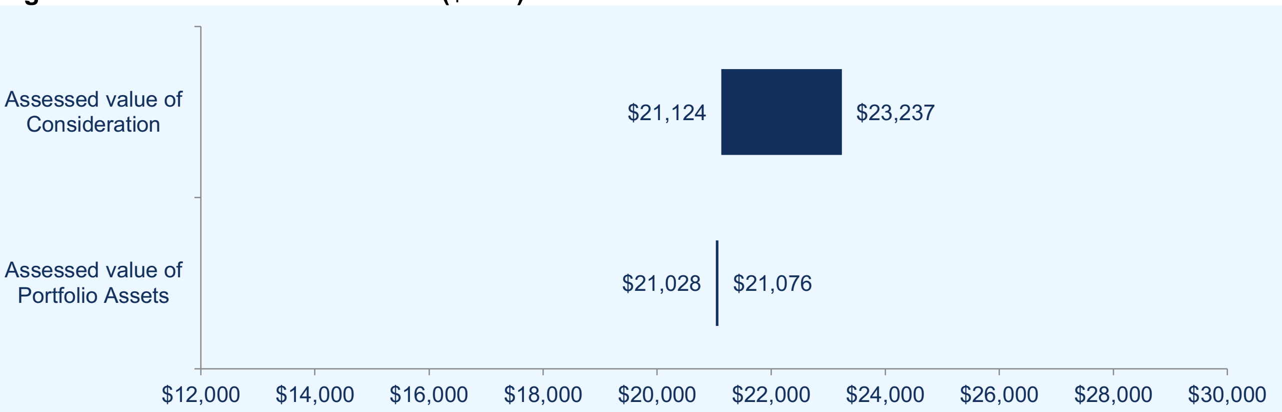
Source: Leadenhall analysis

9 EVALUATION

9.1 Fairness

In order to assess whether the Proposed Transaction is fair, we have compared our assessed market value of the Portfolio Assets with the consideration to be paid. This comparison is set out in the figure below:

Figure 12: Assessment of fairness ($'000)



Source: Leadenhall analysis

Since our assessed value of the Portfolio Assets is less than the assessed value range of the Consideration, we have assessed the Proposed Transaction as being fair.

9.2 Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for HCF's shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

Premium received by Shareholders

On completion of the Proposed Transaction, Shareholders will receive 3.24 shares in H&G for each HCF share they hold whilst retaining their shares in HCF. Therefore, we have compared the value of an HCF share before the Proposed Transaction with the value of 3.24 shares in H&G, plus the value of an HCF share after the Proposed Transaction.

We have assessed the market value of an HCF share before the Proposed Transaction, on a control basis (i.e. without any discounts to NTA), to be $0.89 per share based on our analysis in Section 7.3.

We have assessed the market value of an H&G share after the Proposed Transaction, on a minority basis, to be in the range of $0.28 to $0.31 per share in Section 8.2. The value of 3.24 H&G shares is therefore between $0.91 to $1.00.

The market value of an HCF share after the Proposed Transaction can determined be using the net assets method on a going concern basis, as follows:

Table 30: Net assets of HCF after the Proposed Transaction

$'000	Market Value
Cash	568
Liabilities	(568)
Net assets	**0**
Value of listed shell	500
Total equity value	**500**
Shares outstanding ('000)	19,406
Calculated value per share ($)	**0.03**

Source: HCF and Leadenhall analysis
Note: Shares outstanding represents shares on issue after the buyback and cancellation of H&G's interest in HCF.

The post-transaction net assets are primarily comprised of cash retained by HCF (Retention Sum), accounts payable, an income tax liability, estimated transaction costs and the value of the listed shell. The Retention Sum is intended to offset the post-transaction net liabilities of HCF completely. The remaining value in HCF is therefore only in its status as a listed shell company. An ASX-listed shell company provides shareholder value as a potential vehicle for a backdoor listing. Based on discussions we have had with stockbrokers and insolvency professionals, we understand the typical value for a listed shell company is approximately $0.5 million. For the purpose of our analysis, we have assessed the value of HCF's shell to be $0.5 million.

Shareholders are therefore receiving between $0.93 and $1.03 per HCF share held as part of the Proposed Transaction, which generally exceeds our assessed value of an HCF share before the Proposed Transaction. This also represents:

- A 31% to 36% premium to the price of an HCF share of $0.71 to $0.76, in the absence of the Proposed Transaction.
- A 22% to 35% premium to HCF's VWAP over the last 30-day period ($0.77 per share) up to Friday, 10 January 2025.
- A 7% to 18% premium to HCF's published NTA value before taxes of $0.873 per share as at 28 February 2025.

Share price

Since the announcement of the Proposed Transaction, HCF shares have traded closer to its NTA. This is considerably higher than trading prices before the announcement. If the Proposed Transaction is not approved it is likely that the trading price will fall, at least in the short term.

No superior alternative offer

We are not aware of any competing proposals to acquire the Portfolio Assets or HCF by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the extraordinary general meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

Exposure to diversified investments

Upon completion of the Proposed Transaction, HCF shareholders will become shareholders in H&G which is larger in size and has a more diversified investment business than HCF.

Disadvantages

Forgone investment exposure to micro capitalisation

HCF's shareholders are currently exposed to a portfolio of listed micro-cap companies through shares in HCF. Following the completion of the Proposed Transaction, HCF shareholders will become shareholders in H&G which has a different investment portfolio and risk profile from HCF, with particular concentration in a school uniform business. Since H&G is acquiring the Portfolio Assets, Shareholders will continue to have exposure to micro-cap investments, albeit at a much smaller scale given their relatively small proportion of H&G's portfolio. This exposure may not be desirable for some investors due to individual investment preferences.

Unutilised tax losses

Successful completion of the Proposed Transaction would result in a realisation of the tax loss position of the investment portfolio. These realised tax losses would remain in HCF post-transaction. Since HCF would be a shell company at this point, there is significant uncertainty over its ability to utilise these losses in future given both the need for future profits and the utilisation criteria for the losses (i.e. business continuity and ownership tests as well as the available fraction). HCF shareholders would therefore be left with a listed shell company containing tax losses which are unlikely to be utilised.

Tax implications

The acceptance of the Proposed Transaction may have varying tax implications for individual shareholders, which could result in immediate tax leakage that would otherwise be deferred in other transaction structures or in the absence of the Proposed Transaction. The in-specie distribution of H&G shares to Shareholders may be a disadvantage for those shareholders that incur a taxation liability as a result of the Proposed Transaction. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.

9.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
AFIC	Australian Foundation Investment Company Limited
Anagenics	Anagenics Ltd
Argo	Argo Investments Limited
ASX	Australian Securities Exchange
Bidder	Company making the acquisition offer
CAGR	Compound Annual Growth Rate
Cellmid	Cellmid Ltd
Cancellation Shares	The buyback and cancellation of 4.97 million HCF shares held by H&G
CEO	Chief Executive Officer
Consideration	Cancellation Shares and Consideration Shares collectively
Consideration Shares	62.8 million H&G shares which are to be issued to HCF and subsequently distributed in-specie to HCF shareholders
Control Basis	A method of valuing a company based on its potential to influence decisions within the company after a proposed transaction.
Corporations Act	The Corporations Act 2001
Coventry	Coventry Group
Disruptive Packaging	Disruptive Packaging Pty Ltd
DLOM	Discount for lack of marketability
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eildon	Eildon Capital Group
ETFs	Exchange traded funds
FOS Capital	FOS Capital Limited
FOS lighting	FOS lighting Pty Ltd
FSG	Financial Services Guide
FY	Financial year
H&G	Hancock & Gore Limited
HCF	H&G High Conviction Limited
Investment Manager	H&G Investment Management Limited
IPO	Initial public offering
JSB	JSB Lighting Pty Ltd
KMP	Key management personnel
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
LICs	Australian listed investment companies
Market value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Mountcastle	Mountcastle Pty Ltd
NPAT	Net profit after tax
NTA	Net tangible assets
OTC	Over-the-counter
Pegasus	Pegasus Healthcare Group Pty Ltd
Portfolio Assets	HCF's business and certain assets of HCF
Proposed Transaction	The proposed acquisition of the Portfolio Assets by H&G in exchange for the Consideration
RG111	Regulatory Guide 111: Content of Expert Reports

Term	Meaning
Retention Amount	Cash of $0.57 million which is to be retained by HCF
SB	Schoolblazer Ltd
SEC	Securities and Exchange Commission
Shareholders	Current non-associated shareholders of HCF
SIAL	Supervised Investments Australia Ltd
TSF	The Supervised Fund
TSR	Total shareholder return
Veem	Veem Ltd
VWAP	Volume weighted average price

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- The discounted cash flow method
- The capitalisation of earnings method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted cash flow method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the discounted cash flow method

A discounted cash flow approach is usually preferred when valuing:

- Early stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of earnings method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

- **Revenue** – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- **EBITDA** - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.
- **EBITA** - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.
- **EBIT** - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- **NPAT** - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the capitalisation of earnings method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- There are no suitable listed company or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset based methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- Orderly realisation
- Liquidation value
- Net assets on a going concern basis
- Replacement cost
- Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of asset based methods

An asset-based approach is a suitable valuation method when:

- An enterprise is loss making and is not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of share trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

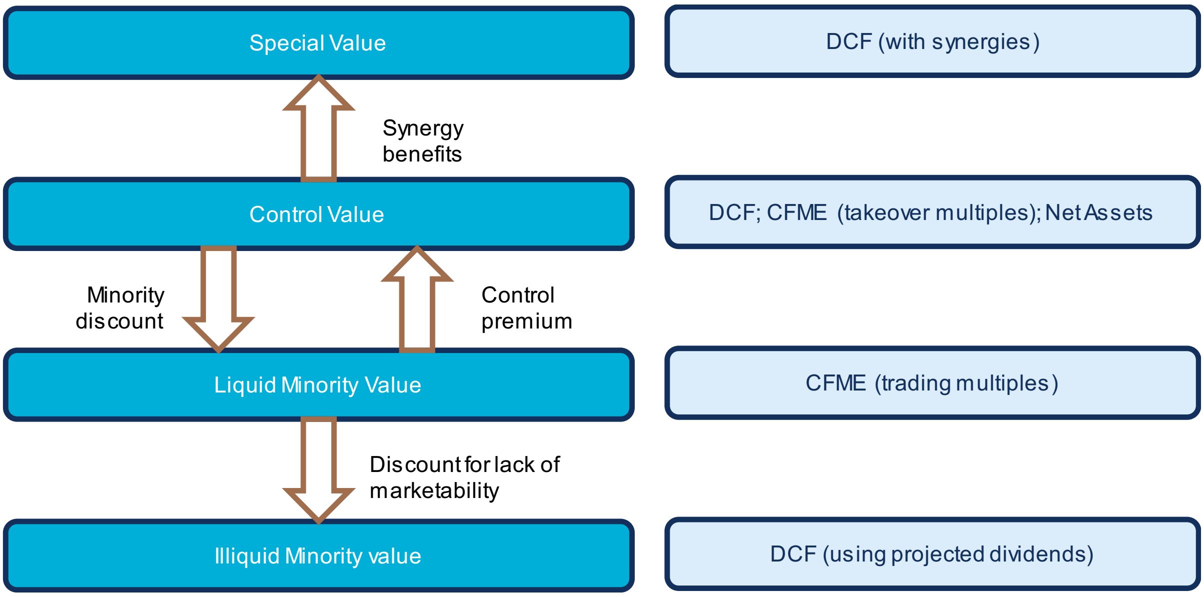
Industry specific rules of thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: LEVELS OF VALUE

Background

When valuing a company there are various conceptual levels of value that can be determined depending on the method selected and the assumptions applied. These levels are highlighted in the diagram below. It is important to be aware of the level of value determined by any valuation technique and to ensure that it is consistent with the subject of the valuation.



The key differences between these levels of value are the control premium and the discount for lack of marketability. The opposite of a control premium is a minority discount (also known as a discount for lack of control). These are discussed further in:

- Appendix 4: Control Premium
- Appendix 5: Marketability

Each of these levels of value and the valuation techniques for deriving them are discussed below. It is also possible to determine the value at any of the levels by starting at a different level of value and then applying the relevant discounts and/or premiums to obtain the required level of value. For example, an illiquid minority value could be determined by using a discounted cash flow method to determine a control value and then deducting an appropriate minority discount and a discount for lack of marketability.

Special value

The highest level of value is referred to as special value. This is the value of a company to a particular purchaser, where that purchaser is able to enjoy benefits of owning the company that are not available to other potential owners. Special value is not typically observed as a buyer would not benefit its own shareholders if it paid the full amount of special value in a transaction. However, in contested takeover situations transactions often take place at a price that is higher than the stand-alone control value, meaning the value of some synergies is paid by the bidder to the target's shareholders. The definitions of Fair Market Value specifically excludes any special value.

Special value can be estimated using a discounted cash flow analysis. This analysis would include the expected synergy benefits in the forecast cash flows.

Control value

The next level of value is the stand-alone control value. This represents the value of the whole of an entity, without considering any potential synergy benefits. The benefits of controlling an enterprise are discussed further in Appendix 4. A control value can be determined using one of the following approaches:

- Discounted cash flow (using free cash flow to the business or to equity)
- Capitalisation of earnings, using multiples for comparable transactions
- Capitalisation of earnings, using multiples derived from first principles (analogous to a discounted cash flow)
- A net asset based approach

It is possible that transactions involving comparable entities include some element of payment for synergies. Thus, using multiples determined by this method may provide a valuation that is higher than a stand-alone control value. It is therefore necessary to consider the nature of the buyer and the details of the transaction before accepting a comparable transaction as evidence of a control value.

Liquid minority value

This is the most frequently observed level of value as it is consistent with market trading on public exchanges. It can be determined directly by the application of the capitalisation of maintainable earnings, where the multiple used is determined based on market prices of comparable companies.

Illiquid minority value

This represents a minority holding in a private company. Such a stake can be difficult to sell and often offers little ability to influence the operations of the business. This level of value is mostly commonly estimated by reference to a higher level of value and the application of discounts. However, it can be estimated directly either by considering comparable transactions involving similar assets or the application of a discounted cash flow analysis based on expected cash flows to the minority owner. In some cases the shareholders' agreement can restrict the transfer and sale of shares to third parties which increases the applicable discount.

APPENDIX 4: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion.

Background

As discussed above, the difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- Appoint or change operational management
- Appoint or change members of the board
- Determine management compensation
- Determine owner's remuneration, including remuneration to related party employees
- Determine the size and timing of dividends
- Control the dissemination of information about the company
- Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- Set the financial structure of the company (debt / equity mix)
- Block any or all of the above actions

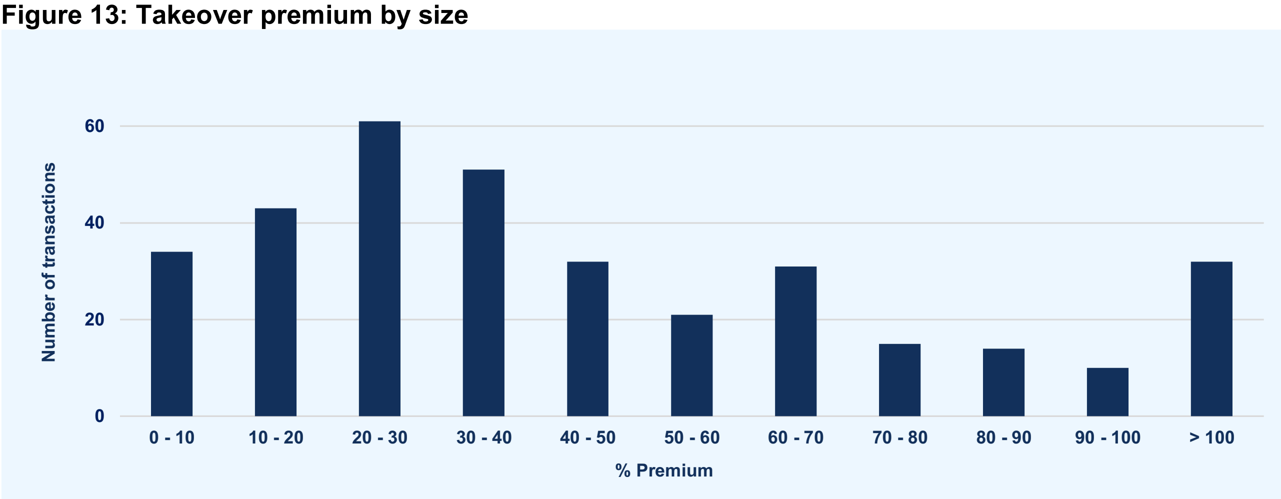
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2012 and 2021. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

Figure 13: Takeover premium by size



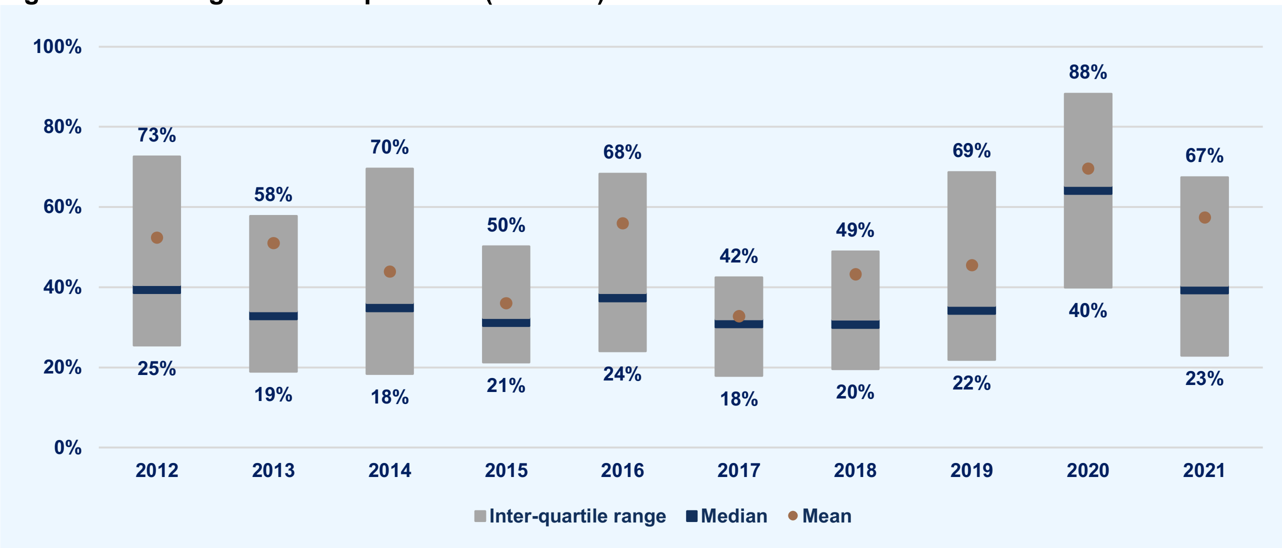
Sources: S&P Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

Figure 14: Average takeover premium (1 month)



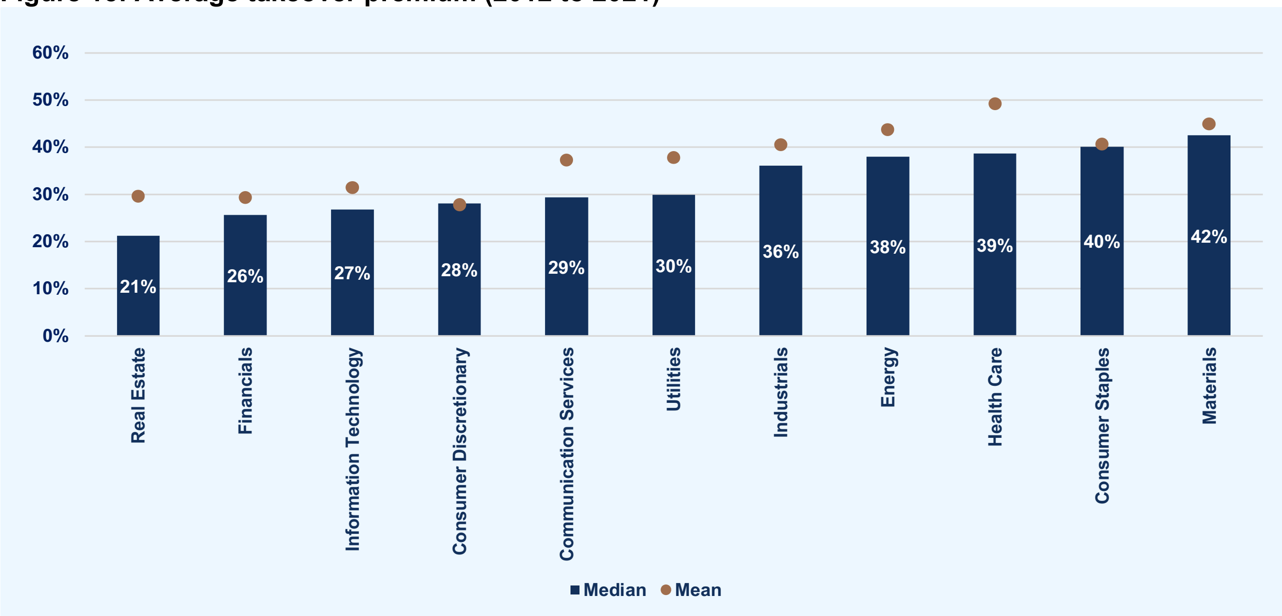
Sources: S&P Capital IQ, Leadenhall analysis
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

Figure 15: Average takeover premium (2012 to 2021)



Sources: S&P Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- Competitive tension arising from more than one party presenting a takeover offer.
- Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- Significant synergistic special or strategic value.
- Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- Deloitte - 20% to 40%
- Ernst & Young - 20% to 40%
- Grant Samuel - 20% to 35%
- KPMG - 25% to 35%
- Lonergan Edwards - 30 to 35%
- PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate viewpoint to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- 75% - power to pass special resolutions
- 50% - gives control depending on the structure of other interests (but not absolute control)
- 25% - ability to block a special resolution
- 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares is listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- **Size of holding** – Generally, larger stakes attract a higher control premium
- **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- **Dividends** – a high dividend pay-out generally leads to a low premium for control
- **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

APPENDIX 5: MARKETABILITY

Introduction

Non-controlling interests in unlisted companies generally sell at a discount to the price of comparable listed securities. This difference is known as the discount for lack of marketability ("**DLOM**") or liquidity discount. It arises because investors place a significant value on liquidity – the ability to sell an investment quickly at a reasonable price. DLOMs generally fall in the range between 10% and 40%. However, there are circumstances where the appropriate discount could be significantly in excess of 40%.

Evidence for DLOM

Restricted stock studies

Many US companies with publicly traded stocks also issue shares that are subject to resale and transfer restrictions (restricted stock). These shares are identical to the publicly traded shares in all respects except for the lack of registration and the restrictions on trading. There have been many studies that compare the prices of restricted stock transactions to the public market trading prices of the freely traded securities on the same day. As the shares are identical in every respect except for their trading status, the difference is solely due to the illiquidity or lack of marketability of the restricted stock. The following table, compiled by John Stockdale, Sr., summarises a number of such studies.

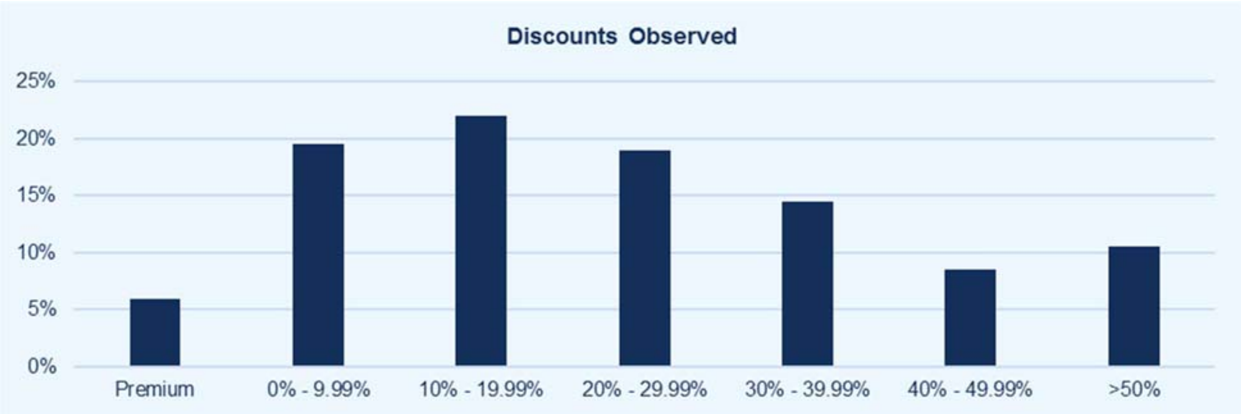
Study	Period	Number of companies	DLOM Mean	DLOM Median
SEC Institutional Investor	1966 – 1969	398	24%	-
Gelman	1968 – 1970	89	33%	33%
Moroney	1968 – 1970	145	36%	33%
Maher	1969 – 1973	34	36%	33%
Trout	1968 – 1970	60	34%	-
Standard Research Consultants	1978 – 1982	28	-	45%
Johnson & Racette	1967 – 1973	86	34%	-
Williamette Management Associates	1981 – 1984	33	-	31%
Wruck – Registered	1979 – 1984	36	-4%	2%
Wruck – Unregistered	1979 – 1984	37	14%	12%
Silber	1981 – 1988	69	34%	-
Hertzel & Smith	1980 – 1987	106	20%	13%
Management Planning Inc.	1980 – 1995	49	28%	29%
Johnson	1991 – 1995	72	20%	-
Columbia Financial Advisers	1996 – 1997	23	21%	14%
Columbia Financial Advisers	1997 – 1998	15	13%	9%
Bajaj, Dennis, Ferris & Sarin	1990 – 1995	88	22%	21%
FMV database	1980 – 1997	243	23%	21%
FMV database	1997 – 2007	311	21%	16%
FMV database	2007 – 2008	43	9%	6%
Finnerty	1991 – 1997	101	20%	16%
Wu	1986 – 1997	301	9%	20%
Barclay, Holderness & Sheehan	1979 – 1997	594	19%	17%
Trugman Associates	2007 – 2008	80	18%	14%

Source: BVR's Guide to Discounts for Lack of Marketability, John Stockdale, Sr.

The more recent studies tend to show a smaller level of discount due to the Securities and Exchange Commission ("**SEC**") relaxing the conditions attached to restricted stock as follows:

- In 1990 the SEC allowed trading among qualified investors holding restricted stock. This appears to have reduced the discount in restricted stock transactions, as none of the studies after this change found a mean or median discount greater than 22%, while many of the earlier studies reported figures in excess of 30%.
- In 1997 the SEC reduced the holding period for restricted stock from two years to one year. This had a limited impact on the discount for restricted stock transactions, as shown by the 2% reduction in the mean discount from the transactions in the FMV database.
- In 2008 the holding period was further reduced from one year to six months. Observed discounts were notably lower after this change, with both relevant studies finding a mean discount below 20%. This highlights the importance of expected time to realisation in assessing a suitable DLOM.

Restricted stock studies generally show a positively skewed distribution. This is perhaps best illustrated by the following summary of six separate studies, collated by Stockdale:



Source: BVR's Guide to Discounts for Lack of Marketability, John Stockdale, Sr.

Restricted stock studies have some limitations; in particular they tend to involve relatively small and risky firms; and the individual discounts observed are widely dispersed (although mostly in the range of 0% to 50%). Also, the restrictions typically relate to an escrow period which is not directly comparable with a lack of marketability, where the security can be transferred at any time if a willing buyer can be found.

Pre-IPO studies

Pre-IPO studies attempt to quantify the DLOM by comparing share prices in IPO transactions with transaction prices in the same shares prior to the IPO. The data available to us from these studies is US based, with two of the most widely referenced studies summarised in the following tables:

Time between transaction and IPO	DLOM	
	Mean	Median
0-30 days	30%	25%
31-60 days	40%	38%
61-90 days	42%	43%
91-120 days	49%	50%
121-153 days	55%	54%

Source: BVR's Guide to Discounts for Lack of Marketability, John Stockdale, Sr.

As with the restricted stock studies, these studies show the importance of expected time to realisation. A potential caution with pre-IPO studies is the issue of sample bias, in that only companies that achieved an IPO are included. It is possible that such companies are those that have been successful over the period between the benchmark transaction and the IPO date, possibly overstating the impact of illiquidity, particularly where the time between the benchmark transaction and the IPO is relatively long.

Event studies

Event studies consider the abnormal return on a stock around a specific event such as a listing or delisting. Two such studies are discussed briefly below.

Sanger and McConnell studied the excess returns to stocks moving from over-the counter ("**OTC**") trading to a listing on the New York Stock Exchange over the period 1966 to 1977. The study computed an average DLOM of 20.4% before the introduction of NASDAQ in 1971, and 16.9% thereafter. It is important to note that the study does not consider the element of DLOM that should exist between a private company compared to one listed for OTC trading.

In 2003 Abbott studied the returns from stocks that delisted from NASDAQ during the period 1982 to 2001. The study identified an average DLOM of 18%. Abbott also identified three factors affecting the size of DLOM:

- **Market value** – the larger the company, the smaller the DLOM.
- **Cumulative return** – the higher the return (including dividends) before the event, the smaller the resulting DLOM.
- **Volume** – the larger the turnover of shares in the market, the smaller the DLOM.

Other studies

Various other studies have been performed, with results generally consistent with those presented in this appendix. However, we consider the studies referred to above to be more reliable. Some examples of other studies undertaken include:

- **Listed Private Equity** - in these studies a comparison is made between the market price of listed private equity investments and their net asset value. However, this difference would include the discount for lack of control as well as the DLOM. Further, the base value (book value of net assets) is an opinion provided by management or consultants, and so may not be reflective of market value. These studies do highlight an important issue which is that the level of DLOM changes significantly over time.
- **Bid-Ask Spread** - these studies analyse the bid-ask spread of listed companies. They measure relative illiquidity among listed companies and so are not necessarily a good indication of DLOM for private companies. A bid-ask spread study by Damodaran highlighted that spread decreases when:
  - revenue increases
  - companies are profitable as opposed to loss making
  - cash as a % of value increases
  - trading volume increases
- **Private company transactions** - these studies compare the prices paid in minority transactions involving private companies with a base price representing the value on a liquid basis. The problem with such studies is determining a base price for comparison to the transaction price. A 1975 survey by H Calvin Coolidge used net asset value as a base price, which he believed was reasonable for the asset intensive companies in the study, which resulted in a mean DLOM of 36%, with the median DLOM also 36%.
- **Surveys** - for example the Pepperdine survey found a median DLOM of 20% for private equity and venture capital investors. However, only 5% of these investors responded that they would make an investment without suitable investor protection such as shareholder agreements, buy/sell agreements and employment agreements. This is not always representative of the circumstances of the company for which a DLOM is to be determined.

Quantitative Models

Various quantitative models for determining DLOM have been developed. At present these models have many limitations, typically including:

- The models proposed to date do not generally fit the observed data well.
- Many of the models require inputs, such as volatility or time horizon to realise an investment, which are unknown for most of the circumstances where we need to apply a DLOM.
- A number of models move from subjectively determining an overall DLOM, to subjectively determining a number of other factors, leading to a DLOM that appears more scientific than it actually is.

Factors impacting DLOM

Several studies have sought to identify factors affecting DLOM and if possible to quantify that impact. The studies to date identified a number of key factors, however there is insufficient evidence to point to any specific numerical relationships between the factors impacting DLOM and the level of DLOM itself, thus after evaluating how the relevant factors apply to the specific circumstances, we are left with a subjective judgement of what an appropriate DLOM should be. The key factors identified are listed below.

Factor	Smaller DLOM (< 20%)	Larger DLOM (>30%)
Size		
Revenue	Higher	Lower
Market value	Higher	Lower
Financial Stability		
Rate of return - profitability	Higher	Lower
Earnings stability	Stable	Volatile
Financial distress	Low risk	High risk
Market / Book value	Low	High
Financial Markets		
Interest rates	Low	High
Volatility	Low	High
Company structure		
Non-executive directors	Many	Few
Block size	Large	Small
Other holdings	Fragmented	Large blocks
Time to sale	Short	Long
Shareholder rights		
Shareholders agreement	Extensive	None
Tag along / drag along rights	Extensive	None
Right to appoint director(s)	Extensive	None
Restrictions on transferability	None	Severe
Expected disposal period		
Exit intentions of majority	Short term	None
Potential buyers of block	Many	One or none
Other		
Industry	The relationship between industry and DLOM is inconclusive from empirical studies. However, it may be the case that at certain points in time industries that are in demand with investors would experience relatively lower DLOMs than other industries.	
Dividends	It is often suggested that the payment of dividends reduces DLOM. While this is intuitively appealing, after adjusting for size and financial strength, empirical studies have failed to find a significant relationship between dividends and DLOM.	
Complexity of group	A complex group structure may not be appealing to investors. However, this factor should not be double counted, if it has been taken into account in determining a control value, eg. through the discount rate applied.	

Note: 'Higher' and 'Lower' refer to the market as a whole and not specifically to the comparable companies (if any) used to determine a base value. Thus, to allow for factors such as size or earnings stability in determining suitable base value and then in assessing the DLOM to be applied would not be double counting.

The list of factors highlighted above, is a general indication of the main factors to be considered in determining a DLOM. However, the selection of a DLOM remains a subjective issue. It is important to ensure factors that have been considered in selecting a base (pre-DLOM) value are not double counted when applying the DLOM. In this regard allowing for size in the DLOM and for example the discount rate is NOT double counting, as the observed DLOM % for transactions involving smaller companies is higher than for larger companies. It is also important to remember that in a given set of circumstances one single factor can outweigh several contradictory factors, for example the existence of a savoy clause[1] in a shareholders' agreement may outweigh many other factors, leading to a very low DLOM.

Note 1: A savoy clause allows one party to a joint venture to nominate a price, at which the other party can choose to sell its own interest or buy out the proposing party's interest.

APPENDIX 6: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Descriptions
Accent Group Limited	Accent Group Limited engages in the retail, distribution, and franchise of lifestyle footwear, apparel, and accessories in Australia and New Zealand.
Cintas Corporation	Cintas Corporation engages in the provision of corporate identity uniforms and related business services primarily in the United States, Canada, and Latin America.
City Chic Collective Limited	City Chic Collective Limited, together with its subsidiaries, operates as a retailer of plus-size women's apparel, footwear, and accessories in Australia, New Zealand, and the United States.
FIGS, Inc.	FIGS, Inc. operates as a direct-to-consumer healthcare apparel and lifestyle company in the United States and internationally.
Hallenstein Glasson Holdings Limited	Hallenstein Glasson Holdings Limited, together with its subsidiaries, operates as a retailer of men's and women's clothing in New Zealand and Australia.
KMD Brands Limited	KMD Brands Limited, together with its subsidiaries, designs, markets, wholesales, and retails apparel, footwear, and equipment for surfing and the outdoors under the Kathmandu, Rip Curl, and Oboz brands in New Zealand, Australia, North America, Europe, Southeast Asia, and Brazil.
Lakeland Industries, Inc.	Lakeland Industries, Inc. manufactures and sells industrial protective clothing and accessories for the industrial and public protective clothing market worldwide.
Lands' End, Inc.	Lands' End, Inc. operates as a digital retailer of apparel, swimwear, outerwear, accessories, footwear, home products, and uniform in the United States, Europe, Asia, and internationally.
Premier Investments Limited	Premier Investments Limited operates various specialty retail fashion chains in Australia, New Zealand, Asia, and Europe.
Step One Clothing Limited	Step One Clothing Limited operates as a direct-to-consumer online retailer for men's underwear in the United Kingdom, the United States, and Australia.
Superior Group of Companies, Inc.	Superior Group of Companies, Inc. manufactures and sells apparel and accessories in the United States and internationally.
UniFirst Corporation	UniFirst Corporation provides workplace uniforms and protective work wear clothing in the United States, Europe, and Canada.
Universal Store Holdings Limited	Universal Store Holdings Limited designs, wholesales, and retails fashion products for men and women in Australia.
Vestis Corporation	Vestis Corporation provides uniform rentals and workplace supplies in the United States and Canada.

APPENDIX 7: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for HCF's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by H&G and HCF being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to H&G and HCF's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of H&G and HCF's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for HCF, H&G or their investee companies, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of HCF, H&G and their investee companies referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.FINSIA, Chern Fung Yee, BCom, CPA, Grad Dip App.Fin, Katy Lawrence. BCom, CA, Grad.Dip.App.Fin, CA BV Specialist, Vicky Lau, BCom, CA, CFA, Jack Ryan, BProfPracBProfAccg.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of H&G and HCF. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

Annexure B – HNG Prospectus

Hancock & Gore Limited

ACN 009 657 961

PROSPECTUS

For a conditional offer to issue up to 63,688,260 Consideration Shares to H&G High Conviction Limited to be distributed in-specie to eligible Shareholders of H&G High Conviction Limited (Offer).

This Prospectus is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth). This is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this Prospectus, you have any questions about the securities being offered under this Prospectus, you should contact your stockbroker, accountant or other professional adviser.

The Offer is conditional on certain resolutions being passed by the shareholders of HCF at the HCF General Meeting to be held on Friday, 11 April 2025. Please refer to Section 1.3 of this Prospectus for further details.

An investment in securities offered under this Prospectus should be considered as speculative.

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Important Information

This Prospectus is dated 12 March 2025 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or the merits of the investment to which it relates.

No Consideration Shares will be issued on the basis of this Prospectus after the expiry date, which is 13 months after the date of this Prospectus. This is a Prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) of the Company and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offer prospectus. In preparing this Prospectus, regard has to be had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

No exposure period applies to this Prospectus by operation of ASIC Corporations (Exposure Period) Instrument 2016/74.

No person is authorised to give any information or make any representation in connection with the Offer or this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Directors in connection with the Offer or this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus is available in electronic form at www.hancockandgore.com.au/investors. The Offer contained in this Prospectus in electronic form is available only to persons accessing and downloading or printing the electronic copy of the Prospectus within Australia and is not available to persons in any other jurisdictions without the prior approval of the Company.

You should read this Prospectus in its entirety before deciding to complete and lodge an Application Form and, in particular, in considering the prospects of the Company, you should consider the risk factors that could affect the Company's financial performance and the value of the Shares in the Company. You should consider these factors in the light of your personal circumstances (including financial and taxation issues). The key risk factors that should be considered by potential investors are outlined in Section 3 of this Prospectus. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Consideration Shares in the future. If you have any questions, you should seek professional advice from your stockbroker, accountant or other professional adviser before deciding to invest in the Company.

Various risks may affect the future operating and financial performance of the Company and the value of an investment in the Company. Some of these risks are listed in Section 3 of this Prospectus. The potential tax effects of participating in the Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read and consider the information in this Prospectus in full before deciding to invest in the Company and consider the risks that could affect the performance of the Company.

This Prospectus may contain forward looking statements with respect to the financial condition, results of operations, projects and business of the Company. These forward looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved or that actual outcomes will not differ materially from these statements. Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to the Offer.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'US person' (as defined in Regulation S under the US Securities Act of 1933, as amended (**US Person**)). Consideration Shares may not be offered or sold in the United States or to, or for the account or benefit of, any US Person absent registration or an exemption from registration. This Prospectus has been prepared for publication only in Australia and may not be released elsewhere.

Certain terms and abbreviations used in this Prospectus have defined meanings as set out in the glossary in Section 6 of this Prospectus. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Key dates

Lodgment of Prospectus with ASIC and announcement of Offer **Despatch of Prospectus and Application Form**	Wednesday, 12 March 2025
HCF General Meeting	Friday, 11 April 2025
Opening Date of Offer	Monday, 14 April 2025
Completion of the Asset Purchase **Closing Date of Offer – 5.00pm (Sydney time)**	Thursday, 17 April 2025
Allotment and issue of Consideration Shares	Thursday, 17 April 2025
Despatch date of holding statement **Normal trading of Consideration Shares commences**	Tuesday, 22 April 2025

The dates above and other dates referred to in this Prospectus (except the date of this Prospectus) are indicative only. Subject to the ASX Listing Rules and the Corporations Act, the Company reserves the right to change any date (including to extend the Closing Date of the Offer or to close the Offer early) without prior notice.

1 Details of the Offer

1.1 Background to the Offer

On 12 March 2025, the Company announced that it had entered into a binding, conditional Asset Sale and Purchase Agreement with H&G High Conviction Limited (**HCF**), under which, subject to the satisfaction or waiver (as applicable) of various conditions, the Company will acquire HCF's business and assets (excluding the Retention Amount) in exchange for the issue of fully paid ordinary shares in the Company (**Consideration Shares**) at a deemed issue price of $0.30 each (**Asset Purchase**).

The assets to be purchased from HCF comprise all of HCF's listed equity investments, cash on hand, receivables, benefits under any contracts, intellectual property rights and business records, excluding the Retention Amount.

In connection with the Asset Purchase:

(a) HCF will buy-back all of the shares that the Company holds in HCF (**Buy-Back**); and

(b) HCF will promptly distribute the Consideration Shares to HCF shareholders (excluding the Company which will cease to be a holder of shares in HCF on completion of the Buy-Back) by way of in-specie distribution (**In-Specie Distribution**).

The Buy-Back, the Asset Purchase and In-Specie Distribution together comprise the **Transaction**.

Completion of the Transaction is subject to the approval of shareholders of HCF at a general meeting of HCF to be held on Friday, 11 April 2025 (**HCF General Meeting**).

HCF has issued a notice of meeting (accompanied by an independent expert’s report) to convene the HCF General Meeting (**HCF Notice of Meeting**).

Refer to the Company's ASX announcement and the HCF Notice of Meeting released to ASX on the date of this Prospectus for further details on the Transaction and other related matters.

1.2 Consideration Shares to be issued

The number of Consideration Shares to be issued to HCF under the Asset Purchase will be calculated based on $1.00 per HCF share on issue (excluding the shares in HCF held by the Company which are bought-back and cancelled under the Buy-Back), less the Retention Amount and the amount of any dividends declared or paid by HCF prior to completion.

The Retention Amount is a cash amount to be retained by HCF to cover its expected transaction costs, tax liabilities, liabilities under its investment management agreement and other operational costs to fund its activities post completion. HCF has estimated that the Retention Amount will be between approximately $300,000 and $600,000. However, the exact amount will be determined between HCF and the Company two business days prior to completion of the Asset Purchase having regard to HCF's transaction costs, tax liabilities, management and performance fees payable under HCF's investment management agreement and HCF's financial position at the time of such determination.

For the purposes of the indicative calculation of the Consideration Shares in this Prospectus, the Company has used an estimated Retention Amount of $300,000, which amount represents the lower end of the projected range and will therefore calculate the highest expected number of Consideration Shares to be issued to HCF. Based on the estimated Retention Amount of $300,000, the number of Consideration Shares to be issued to HCF under the Asset Purchase will be in the order of 63,688,260 Consideration Shares.

If the actual Retention Amount is more than $300,000, the number of Considerations Shares will reduce accordingly. The exact number of Consideration Shares will be notified to Shareholders on ASX when known by the Company.

1.3 The Offer

This Prospectus invites HCF to apply for the Consideration Shares pursuant to the Asset Purchase (**Offer**).

All of the Consideration Shares offered under this Prospectus will rank equally with the existing Shares on issue as at the date of this Prospectus. Refer to Section 4 for a summary of the rights and liabilities attaching to the Consideration Shares.

The Company is only extending the Offer to HCF and an Application Form will only be provided to HCF.

This Prospectus has also been issued to, and the Offer will, facilitate the secondary trading of the Consideration Shares by HCF shareholders following the In-Specie Distribution.

The Offer is conditional on the approval of all resolutions contained in the HCF Notice of Meeting by the requisite majority of shareholders of HCF at the HCF General Meeting (**Offer Condition**). If the Offer Condition is not satisfied, the Company will withdraw the Offer.

1.4 Removal of secondary trading restrictions

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months after the date of their issue.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement where:

(a) the relevant securities are in a class of securities of the company that are already quoted on ASX;

(b) a prospectus is lodged with ASIC either:

   (i) on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

   (ii) before the day on which the relevant securities are issued, and any offer of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

(c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

In addition to the Offer to HCF, a secondary purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act to remove any trading restrictions that may have attached to the Consideration Shares issued by the Company, so that the holders of the Consideration Shares following the In-Specie Distribution, if they choose to, may sell those Consideration Shares within the 12 months following their issue, without the issue of a prospectus.

1.5 Purpose of this Prospectus

The purpose of this Prospectus is to:

(a) make the Offer; and

(b) ensure that the on-sale of the Consideration Shares does not breach section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provisions in section 708A(11) of the Corporations Act.

The Company will not raise any funds under this Prospectus. Accordingly, the purpose of this Prospectus is not to raise capital.

1.6 Minimum subscription

The minimum subscription in relation to the Offer is the number of Consideration Shares calculated in accordance with Section 1.2. None of the Consideration Shares offered under this Prospectus will be issued if an application is not received for the minimum subscription or if completion of the Asset Purchase does not occur.

1.7 Oversubscriptions

The Company will not accept any oversubscriptions in relation to the Offer.

1.8 No underwriting

The Offer is not underwritten.

1.9 Ranking of Consideration Shares

Consideration Shares issued under the Offer will rank equally with existing Shares.

1.10 Withdrawal of Offer

The Board reserves the right to withdraw this Prospectus and the Offer at any time before the issue of Consideration Shares.

1.11 Opening and Closing Date for applications

The Offer opens for acceptance on **Monday, 14 April 2025** and the closing date for the Offer is **5.00pm (Sydney time)** on **Thursday, 17 April 2025**.

The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and any requirements of ASX, to accept late acceptances or to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.12 Application Form

The Company will send this Prospectus, together with the Application Form, to HCF to complete. Acceptance of a completed Application Form by the Company creates a legally binding contract between HCF and the Company for the Consideration Shares accepted by the Company, subject to satisfaction of the Offer Condition. The Application Form does not need to be signed to be a binding acceptance of Consideration Shares.

If the Application Form is not completed correctly, it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form is final.

1.13 ASX quotation

The Company will apply for the quotation of all Consideration Shares on ASX. If official quotation of the Consideration Shares is not granted by ASX within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled.

The fact that ASX may grant official quotation of the Consideration Shares is not to be taken in any way as an indication of the merits of the Company or securities being offered under the Offer.

1.14 **CHESS**

Under CHESS, HCF will not receive a certificate but will receive a statement of its holding of Consideration Shares. The CHESS statement will set out the number of Consideration Shares issued under this Prospectus, provide details of the holder identification number and the participant identification number of the sponsor. If HCF is registered in the issuer sponsored sub register, its statement will be despatched by the Registry and will contain the number of Consideration Shares issued to HCF under this Prospectus and its security holder reference number.

1.15 **Applicants outside Australia**

This Prospectus and any accompanying Application Form do not, and are not intended to, constitute an offer of Consideration Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Consideration Shares. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.16 **Allotment**

Allotment and issue of Consideration Shares under the Offer will only be made once completion of the Asset Purchase occurs and ASX has granted permission for quotation of the Consideration Shares. It is expected the Consideration Shares will be allotted on or about Thursday, 17 April 2025 and holding statements will be despatched on or about Tuesday, 22 April 2025.

1.17 **Market Price of Shares**

The highest and lowest market sale price of the Company's Shares on ASX during the period of three calendar months preceding 6 March 2025 and the last market price on 6 March 2025 is set out below:

3 month high	3 month low	Last market sale price on 6 March 2025
$0.305 on 29 January 2025	$0.25 on 6 March 2025	$0.25

1.18 **Risks**

Investors should carefully read the section on risk factors set out in Section 3 of the Prospectus. An investment in Consideration Shares involves various risks, a number of which are specific to the Company and the industry in which it operates.

Investors should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

An investment in Consideration Shares should be regarded as speculative.

2 Effect of the Offer on the Company

2.1 Overview

The Offer will have an effect on the capital structure, control and the financial position of the Company.

2.2 Effect on capital structure

The following table sets out the Company's current capital structure and its fully diluted capital structure immediately following the successful completion of the Offer, assuming that:

(a) the Transaction is completed on the agreed terms and 63,688,260 Consideration Shares are issued to HCF and distributed in-specie to HCF shareholders;

(b) no performance rights are exercised prior to the completion of the Offer; and

(c) no other new Shares or other securities are issued before the completion of the Offer.

In this Section 2, these assumptions are called the **Offer Assumptions**.

Share capital – full subscription (undiluted)	Number	%
Ordinary shares on issue at the date of this Prospectus*	480,493,695	88.3%
Plus: Consideration Shares	63,688,260	11.7%
Total issued share capital on completion of Offer (undiluted)	**544,181,955**	**100%**

Share capital – full subscription (fully diluted)	Number	%
Ordinary shares on issue at the date of this Prospectus*	480,493,695	86.2%
Plus: Consideration Shares	63,688,260	11.4%
Total issued share capital on completion of Offer (undiluted)	544,181,955	97.7%
Existing performance rights**	13,000,000	2.3%
Fully diluted share capital on completion of Offer*	**557,181,955**	**100%**

Notes:

** Includes 27,250,000 unquoted employee loan funded plan shares which rank equally with fully paid ordinary shares and will be become quoted on ASX subject to satisfaction of vesting conditions.*

*** Assuming all performance rights are exercised.*

The exact number of Consideration Shares to be issued to HCF depends on the value of the Retention Amount and the amount of any dividends declared or paid by HCF prior to completion as described in Section 1.2. Accordingly, the Company's actual position on completion of the Offer may differ from the positions illustrated in the pro-forma capital structure table above. The Company will announce to ASX the actual number of Consideration Shares issued under the Offer as soon as practicable after all securities have been issued.

2.3 Effect on control of the Company

The Offer is not expected to have any material impact on the control of the Company as no person as a result of the Offer will increase their voting power in the Company:

(a) from 20% or below to more than 20% of the issued capital of the Company; or

(b) from a starting point that is above 20% and below 90% of the issued capital of the Company.

Any Company Shareholder who does not also hold shares in HCF will be diluted by approximately 13.3% as a result of the Transaction, based on the Offer Assumptions.

Based on information publicly available to the Company as at the date of this Prospectus, on completion of the Transaction, the substantial shareholders of the Company are expected to be as follows (based on the Offer Assumptions and assuming that the relevant interests of the substantial shareholders of the Company as held in the Company and in HCF based on information publicly available to the Company do not change before completion of the Transaction):

Shareholder	Before Transaction		After Transaction	
	Shares	Voting power	Shares	Voting power
James Family Investments Ltd	68,000,777	14.15%	68,000,777	12.50%
Perennial Value Management Limited[1]	49,667,807	10.34%	59,841,902	11.00%
AD & MP Beard ATF AD & MP Beard Superannuation Fund (and its associates)[2]	37,272,332	7.76%	40,927,625	7.52%

2.4 Use of funds

As the Consideration Shares will be issued in consideration of the Asset Purchase (as further described in Section 1.1), no funds will be raised from the Offer.

The expenses of the Offer (which are expected to be approximately $50,000) will be met from the Company's existing cash reserves.

2.5 Effect on financial position

The Company's consolidated audited statement of financial position as at 30 September 2024 has been used for the purposes of preparing the pro forma statement of financial position to demonstrate the indicative impact of the Transaction on the financial position of the Company on a consolidated basis.

The pro forma statement of financial position also includes the impact of the acquisition of Schoolblazer Limited (**Schoolblazer**) by Mountcastle Pty Ltd (**Mountcastle**), a wholly-owned subsidiary of the Company, which was completed on 14 October 2024, after the balance date of the audited accounts.

The pro forma statement of financial position set out below is adjusted to reflect pro forma assets and liabilities of the Company (on a consolidated basis) as if completion of the acquisition of Schoolblazer by Mountcastle and completion of the Transaction had occurred by 30 September 2024.

The pro forma statement of financial position is presented in an abbreviated form. It does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

Pro forma statement of financial position:

[1] The Company understands that Perennial Value Management Limited (or its associates) is expected to receive approximately 10,174,095 Consideration Shares under the In-Specie Distribution based on its shareholding in HCF.

[2] The Company understands that AD & MP Beard ATF AD & MP Beard Superannuation Fund (and its associates) is expected to receive approximately 3,655,293 Consideration Shares under the In-Specie Distribution based on its shareholding in HCF.

	30 Sept 2024 (audited) ($'000)	Effect of Schoolblazer Acquisition ($'000)	Effect of Transaction ($'000)	Pro forma 30 Sept 2024 (Unaudited) ($'000)
CURRENT ASSETS				
Cash and cash equivalents	16,465	(15,561)	2,440	3,344
Trade and other receivables	583	-	-	583
Related party receivables	2,014	-	-	2,014
Prepayments	125	-	-	125
Financial assets at fair value through profit and loss	21,230	-	14,864	36,094
Financial assets at amortised cost	2,925	-	-	2,925
TOTAL CURRENT ASSETS	**43,342**	**(15,561)**	**17,304**	**45,085**
NON-CURRENT ASSETS				
Property, plant and equipment	9	-	-	9
Right-of-use assets	21	-	-	21
Intangible assets	712	-	-	712
Financial assets at fair value through profit and loss	73,802	60,269	-	134,071
Financial assets at amortised cost	347	-	-	347
Deferred tax assets	533	-	-	533
TOTAL NON-CURRENT ASSETS	**75,424**	**60,269**	**-**	**135,693**
TOTAL ASSETS	**118,766**	**44,708**	**17,304**	**180,778**
CURRENT LIABILITIES				
Trade and other payables	173	-	50	223
Lease liabilities	21	-	-	21
Deferred acquisition liability	8,514	17,508	-	26,022
Provisions	813	-	-	813
TOTAL CURRENT LIABILITIES	**9,521**	**17,508**	**50**	**27,079**
NON-CURRENT LIABILITIES				
Lease liabilities	-	-	-	-
Provisions	58	-	-	58
TOTAL NON-CURRENT LIABILITIES	**58**	**-**	**-**	**58**
TOTAL LIABILITIES	**9,579**	**17,508**	**50**	**27,137**
NET ASSETS	**109,187**	**27,200**	**17,254**	**153,641**
EQUITY				
Share capital	113,385	27,200	18,838	159,423
Reserves	23,537	-	(1,584)	21,953
Accumulated losses	(27,735)	-	-	(27,735)
TOTAL EQUITY	**109,187**	**27,200**	**17,254**	**153,641**

Notes and assumptions

The key assumptions on which the pro forma statement of financial position above is based are as follows:

(a) completion of the acquisition of Schoolblazer by Mountcastle occurs;

(b) completion of the Buy-Back, Asset Purchase and In-Specie Distribution occurs;

(c) the fair value of the assets to be acquired from HCF has been assumed to be equal to the implied purchase price based on the price of the Consideration Shares at $0.30 per share (and assuming an estimated Retention Amount of $568,261, being the Company's current understanding of the estimated Retention Amount). This is an illustrative assumption only. Following completion of the Transaction, a detailed valuation and purchase price allocation of the assets will be undertaken;

(d) 62,794,057 Consideration Shares are issued to HCF under the Asset Purchase (being the number calculated by reference to the estimated Retention Amount of $568,261); and

(e) includes all Transaction costs as payables.

3 Risks

3.1 General

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, its business, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a materially adverse impact on the Company's operating performance, financial performance, financial position, liquidity, and the value of its shares.

3.2 Specific risk factors – Company

The Directors believe that there are a number of specific factors that should be considered, which could have a materially adverse impact on the Company, its expansion plans, operating and product strategies and its financial performance and position. These include:

(a) **Loss of value of investments risk**

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

(b) **Portfolio concentration risk**

The Company is a diversified investment company targeting returns across three key investment pillars – operating businesses (ie its Global Uniform Solutions division), strategic capital and funds management. The Company's Global Uniform Solutions division, comprising Mountcastle Pty Ltd and Schoolblazer Limited, represent approximately 75% of the Company's total assets.

Given this portfolio weighting, the Company's financial performance and future prospects will be highly exposed to risk factors specific to the school wear industry in ANZ and the UK. Some of these risks have been included in Section 3.3 below.

(c) **Loss of key management personnel**

The Company's future success is strongly dependent upon the expertise and experience of its key personnel and senior management. The Company may not be able to retain these staff members in the future, or be able to find equivalent replacements, either at all, or in a timely manner. The loss of key management personnel could adversely affect the Company’s business, results of operations or financial performance and position.

(d) **IT risk, cybersecurity and data protection**

The Company and its investee companies are highly reliant on information systems for their management, including for supplier and sales processes. Like many organisations across all industries, the Company is not immune to the threat of cyber-security attacks. Such attacks are generally malicious in nature and have the potential to compromise the confidentiality, integrity and availability of the target's data.

While the Company has processes in place designed to identify and reduce the information security risks to its business and other stakeholders, there is a risk that such processes may not be effective. A failure to adequately secure such data could see the Company face significant fines or penalties and incur reputational and other damage, which could have a material adverse effect on the Company's financial and operational performance. In addition, a security or data breach could disrupt the Company's information systems and business more generally.

(e) **Funding risk**

If the Company requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions that are commercially acceptable to the Company. Given current global market and economic conditions, access to equity capital markets may be negatively impacted over the medium to long term. If the Company is unable to obtain such additional capital, it may be unable to pursue further potential investment opportunities or be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

(f) **Legal and regulatory risk**

The Company must comply with the legislation and regulatory frameworks in each of the jurisdictions in which it operates. The Company's wholly owned subsidiary holds an Australian Financial Services Licence (**AFSL**) which allows it to conduct investment activities on behalf of third-party investors and requires the group to comply with strict statutory obligations. A loss of the AFSL, or changes in the regulatory environment more generally, could significantly inhibit the Company's ability to conduct its activities and earn management, performance and other fees.

(g) **Asset impairment**

The Board regularly monitors impairment risk. Consistent with accounting standards, the Company is periodically required to assess the carrying values of its assets. Where the value of an asset is to be less than its carrying value, the Company is obliged to recognise an impairment charge in its profit and loss account. Impairment charges can be significant and operate to reduce the level of a company's profits. Impairment charges are a non-cash item.

(h) **Exchange rates**

The Company is exposed to movements in exchange rates. The Company's financial statements are expressed and maintained in Australian dollars. However, a portion of the Company's income (ie dividend income from its Schoolblazer Limited investment) is earned in foreign currencies. Exchange rate movements affecting these currencies may impact the profit and loss account or assets and liabilities of the Company (to the extent the foreign exchange rate risk is not hedged or not appropriately hedged).

(i) **liquidity risk**

Shares in the Company do not trade in high volumes. This could lead to volatility in the Company's share price due to ordinary demand for the Company's shares. Therefore, investors may not be able to sell their shares at the time, in the volumes or at the price they desire.

3.3 **Specific risk factors – Global Uniform Solutions division**

The Directors believe that there are a number of specific factors in relation to the Company's Global Uniform Solutions division – comprising its wholly owned subsidiaries Mountcastle Pty Ltd and Schoolblazer Limited – that should also be considered, given the division represents a material portion of the Company's portfolio of investments. Each of these factors could have a materially adverse impact on the Company, its expansion plans, operating and product strategies and its financial performance and position. These include:

(a) **Integration risk**

The merger of Mountcastle and Schoolblazer creates a global uniform platform with school wear leadership positions in the United Kingdom, Australia and New Zealand.

The Company is in the process of integrating the two businesses and optimising its operations globally including supply chain and manufacturing and its internal systems and processes.

The integration of a business carries risk, including potential delays or costs in implementing necessary changes and difficulties in integrating various operations.

The success of the Company's recent acquisition of Schoolblazer Limited, and the ability to realise the expected benefits of the acquisition, including synergies, is dependent on the effective and timely integration of the Schoolblazer business alongside the Company's existing Mountcastle business and the optimisation of the integrated business.

Integration of the systems and processes of Schoolblazer, including their supply chain, manufacturing, information technology (including privacy and security), financial reporting systems and processes and safety management system and optimisation is a complex exercise.

As a result, there is a risk that the integration of the business is more complex than currently anticipated, encounters unexpected challenges or issues, takes longer than expected, costs more than expected or incurs non-cash costs such as additional provisioning or asset impairment, delays or prevents some of the expected benefits of the acquisition, and diverts management attention from running the Company's existing business (including the Mountcastle business).

A failure to fully integrate Schoolblazer, or a delay in the integration and optimisation process, including as a result of a cultural misalignment, or the loss of certain key members of staff, could impose unexpected costs that may adversely affect the financial performance and position of the Company.

(b) **Customer preferences or trading patterns**

There is a risk that the combined Mountcastle and Schoolblazer group (**Combined Group**) fails to anticipate and adapt to changing consumer behaviour and preferences in a timely manner. If the Combined Group misjudges customer behaviour or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact the Company's financial and operating performance.

An unexpected decrease in consumer demand and sales could also result in a surplus of inventory. Failure to maintain appropriate inventory levels may adversely affect the Combined Group's operating and financial performance, particularly if the Combined Group is required to reduce the volume of inventory (which may lead to reduced gross profit).

(c) **Supply chain risk**

There is a risk that future events may have an adverse impact on the Combined Group's supply chain. This could occur if the ability to transport products between countries is disrupted, the Combined Group’s suppliers are negatively affected or if the Combined Group is otherwise unable to efficiently distribute products to its customers. In the event that the Combined Group's supply chain is disrupted and the Combined Group is unable to secure key supply inputs in a time and economically acceptable manner, it may have a material adverse effect on the Combined Group's ability to meet customer demands and sell products profitably, which in turn may negatively impact the Combined Group's operating performance and earnings.

(d) **Changes in technology**

Technology plays an increasingly important role in the delivery of products to the Combined Group's customers. The Combined Group's ability to compete with other schoolwear retailers may be impacted by its ability to maintain or develop appropriate technology platforms in the efficient delivery of its products. Maintaining or developing appropriate technologies may require significant capital investment by the Combined Group.

(e) **Competition risk**

The Combined Group operates in a competitive market. The loss of schools under contract may negatively affect earnings. Additionally, the risk from increased competition may negatively impact on sales and profitability. The actions of an existing competitor or of new competitors may make it difficult for the Combined Group to grow or maintain its business, which in turn may have a material adverse effect on its profitability.

There is a risk that new entrants in the market may disrupt the Combined Group's business and existing market share. Existing competitors and new competitors may engage in aggressive school tenders or other customer acquisition campaigns. Such competitive pressures may materially erode the Combined Group's market share and revenue, and may materially adversely impact the Combined Group's revenue and profitability. A general increase in competition may also require the Combined Group to increase marketing expenditure or offer discounts, which would decrease profitability even if the Combined Group's market share does not decrease.

(f) **Warranty risk and product liability exposure**

There is an inherent risk of defective workmanship or materials in the manufacture of products sold by the Combined Group and for exposure to product liability for damages suffered by parties attributable to the use of the products.

Defective products may have a materially adverse impact on the Combined Group's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations. It may also give rise to product liability claims which could impact on the Combined Group's viability, particularly if its liability exceeds any insurance coverage.

(g) **Insurance**

Not all risks are insured or insurable. The Combined Group cannot be certain that its current insurance is adequate or that adequate insurance coverage for potential losses and liabilities will be available in the future on commercially acceptable terms. If the Combined Group experiences a loss in the future, the proceeds of the applicable insurance policies, if any, may not be adequate to cover replacement costs, lost revenues, increased expenses or liabilities to third parties. These risks may have a material adverse effect on the Combined Group's future financial position and operating results and therefore the value of the Company's securities.

(h) **Intellectual property risk**

The ability of the Combined Group to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is an integral part of the Combined Group's business. There can be no assurances that the validity, ownership or authorised use of intellectual property (both owned and licensed) relevant to the Combined Group's business cannot or will not be challenged, in particular, as Schoolblazer seeks to enter the ANZ market.

(i) **Reputational damage**

The Combined Group's reputation could be adversely impacted if it suffers from any adverse publicity. Examples of adverse publicity include health and safety issues or incidents, potential breaches of the Australian Consumer Law, poor service to schools and employment related disputes. Adverse publicity may result in a failure to win new school customers and impinge on the ability to maintain relationships with existing school customers, as well as affect its ability to attract key employees. Each of these circumstances could adversely impact the Combined Group's (and the Company's) financial performance and future prospects.

(j) **Sovereign risk**

The Combined Group's manufacturing operations in Sri Lanka are subject to the risks associated in operating in foreign emerging countries. These risks may include economic, social or political instability or change, hyperinflation, or changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, export duties, capital controls, repatriation of income or return of capital, environmental protection, labour relations and government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents. No assurances can be given that the co-operation of such authorities, if sought by the Combined Group, will be obtained, and if obtained, maintained.

It cannot be ruled out that the government of Sri Lanka (or any other foreign jurisdiction in which the Combined Group operates) may adopt substantially different laws, policies or conditions relating to foreign investment and taxation. The Combined Group may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future materially adverse changes in government policies or legislation in Sri Lanka (or any other foreign jurisdiction in which the Combined Group operates) in relation to foreign investment and ownership may affect the viability and profitability of the Combined Group.

(k) **Climate change risk**

Climate related factors that may affect the operations and proposed activities of the Combined Group include:

(i) The emergence of new or expanded regulations associated with the transitioning to a lower carbon economy and market changes related to climate change mitigation. The Combined Group may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage.

(ii) Climate change may cause certain physical and environmental risks that cannot be predicted by the Combined Group, including events such as increased severity of weather patterns and incidence of extreme weather events and longer term physical risks such as shifting climate patterns.

3.4 General risk factors

(a) **Share market and liquidity risk**

No assurances can be given of the price at which the shares distributed to HCF shareholders under the In-Specie Distribution will trade or that they will trade at all. The Company's shares may trade on the ASX at higher or lower prices than the price at which shares are issued. Investors who decide to sell newly acquired shares after the In-Specie Distribution may not receive the amount of their original investment. The price at which newly acquired shares trade on the ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

The Company will apply for quotation of the Shares offered under the Offer.

(b) **Dependence on general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a materially adverse impact on the Company's business or financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact the Company's earnings and financial performance.

(c) **Ukraine and Gaza Conflicts**

The war between Ukraine and Russia (**Ukraine Conflict**) and Israel and Palestine (**Gaza Conflict**) is impacting global economic markets. The nature and extent of the effect of the Ukraine Conflict and Gaza Conflict on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by the Ukraine Conflict and Gaza Conflict.

The Ukraine Conflict and Gaza Conflict has potential secondary and tertiary macroeconomic impacts, including the changes in pricing of commodity and energy markets, effects on global supply-chain and freight movements which would impact the supply of raw materials and delivery of finished goods and the potential of cyber activity impacting governmental or industry measures taken in response to the Ukraine Conflict and Gaza Conflict.

(d) **Tax risk**

Any change to the company income tax rate in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the income tax rates applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

(e) **Dividends**

There are a range of factors that determine the payment of dividends on the Company's shares. These include the profitability of the business, its cash reserves, future capital requirements and obligations under debt facilities (if any). The Board will determine any future dividend levels based upon the Company's operating results and financial standing at the time. There is no guarantee that any dividend will be paid by the Company or guarantee that future dividends will equal or exceed previous payments.

(f) **Litigation**

Legal proceedings and claims may arise from time to time in the ordinary course of business for the Company and its investee companies and may result in high legal costs, adverse monetary judgments and/or damage to the reputation of the Company or its investee companies all of which could have an adverse impact on the Company's financial position or performance and the price of its shares.

(g) **Legislative and regulatory changes**

Legislative or regulatory changes in jurisdictions in which the Company operates, including property or environmental regulations or regulatory changes in relation to products sold by the Company, could have an adverse impact on the Company.

4 Rights attaching to Consideration Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to the Shares are set out in the Company's constitution and are regulated by the Corporations Act, the ASX Listing Rules, the rules of ASX Settlement and the general law. A copy of the Company's Constitution is available at www.hancockandgore.com.au/corporate-governance.

4.1 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share.

4.2 General meeting and notices

Each Shareholder is entitled to receive notice of, and to attend and vote at, the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution, the Corporations Act or the ASX Listing Rules.

4.3 Dividends

Subject to any special rights or restrictions attached to any Shares, the Directors may from time to time at their discretion, declare or determine, and pay dividends in the manner prescribed by law. The Company shall not be liable for any interest in respect of dividends payable to Shareholders.

4.4 Variation of Class Rights

The rights and restrictions attaching to a class of the Company's Shares may be varied, whether or not the Company is being wound up, only with the consent in writing of the holders of three-quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class.

4.5 Further Issues of Shares

The Directors may issue Shares or options over Shares, and other securities of, the Company. Any share, option or other security in the capital of the Company may be issued with such preferred, deferred or other special rights or restrictions, whether with regards to dividends, voting, return of capital, payment of calls, redemption, conversion or otherwise, as the Directors may decide.

4.6 Winding Up

If, on winding up of the Company, there remains a surplus, that surplus will, subject to the terms of issue of each share, the Corporations Act, the ASX Listing Rules, and any agreement between a Shareholder and the Company to the contrary, be divided amongst the Shareholders in proportion to the amounts paid up on their Shares.

4.7 Buy Backs

Subject to applicable laws, in particular the Corporations Act and the ASX Listing Rules, the Company may buy back shares on such terms and at times as the Board may determine from time to time.

4.8 Transfer of Shares

Subject to the ASX Listing Rules and the constitution, the shares are transferable in accordance with CHESS (for CHESS Approved Securities), by instrument in writing in any usual or common form or in any other form that the Directors approve.

4.9 Directors

The Board may appoint additional Directors to fill a casual vacancy. At each of the Company's annual general meetings, one-third of the Directors (rounded down, if necessary, to the nearest whole number), including any other Director who has held office for three years or more since their last election must retire from office. A retiring Director is eligible for re-election. Any managing director is exempted from retirement by rotation.

4.10 Indemnities and Insurance

The Company must to the extent permitted by law and subject to the Corporations Act, indemnify current and past officers of the Company against any liability for losses or liabilities incurred by the person in defending any proceedings in which judgment is given in that person's favour, or which the person is acquitted, or in connection with an application in relation to any proceedings in which a court grants relief to the person under the Corporations Act. The Company may pay or agree to pay the premium on a policy of insurance in respect of a person who is or has been an officer of the Company to the extent permitted by law.

4.11 Amendment of the Constitution

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the Company. The Company's constitution does not impose any further requirements to be complied with to effect a modification of the constitution, or to repeal it.

5 Additional information

5.1 Prospectus availability

Shareholders can obtain a copy of this Prospectus on the Company's website at www.hancockandgore.com.au/investors. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on the Company's website will not include an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

5.2 Continuous disclosure and inspection of documents

The Company is a disclosing entity for the purpose of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or value of the securities in the Company.

Having taken such precautions and having made all enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act and ASX Listing Rules, which require the Company to notify ASX of information about specific events or matters as they arise, for the purpose of ASX making that information available to the market conducted by ASX.

This Prospectus is issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class which has been continuously quoted by ASX at all times during the 12 months before the date of the Prospectus. Apart from prescribed matters, this Prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the Consideration Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the Company. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offer prospectus.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will make available a copy of each of the following documents, free of charge, to any person who asks for it between the date of issue of this Prospectus and the Closing Date:

(a) the annual financial report for the year ended 30 September 2024 (being the annual financial report most recently lodged with ASIC in relation to the Company before the issue of this Prospectus), a copy of which was lodged with ASX on 27 November 2024. A copy of the 2024 Annual Report is available at https://www.hancockandgore.com.au/annual-reports;

(b) any half-year financial report lodged with ASIC by the Company after the lodgement with ASIC of the annual financial report referred to above and before the lodgement with ASIC of a copy of this Prospectus; and

(c) any continuous disclosure notices given by the Company after the lodgement with ASIC of the annual financial report referred to above and before the lodgement with ASIC of a copy of this Prospectus. These include the following announcements:

Date lodged	Announcement
27 November 2024	2024 Financial Results Announcement
27 November 2024	Dividend/Distribution – HNG
27 November 2024	FY24 Full Year Financial Results Presentation
27 November 2024	Corporate Governance Statement and Appendix 4G
27 November 2024	Amendments to Dividend Reinvestment Plan
11 December 2024	Change of Director's Interest Notice- Alexander Beard
11 December 2024	Correction of Appendix 3Y – Alexander Beard
16 December 2024	Dividend Reinvestment Plan Price
16 December 2024	Update - Dividend/Distribution – HNG
20 December 2024	Annual General Meeting – Key dates
20 December 2024	Appendix 2A- Dividend Reinvestment Plan
20 December 2024	Application for quotation of securities – HNG
23 December 2024	Change of Director's Interest Notice – Kevin Eley
13 January 2025	HCF receives non-binding proposal for investment portfolio
13 January 2025	Non-Binding proposal to Acquire Assets of HCF for scrip
15 January 2025	Notice of Annual General Meeting & Proxy Form
15 January 2025	Notification regarding unquoted securities – HNG
15 January 2025	Notification regarding unquoted securities – HNG
5 February 2025	Change in substantial holding
13 February 2025	AGM Presentation
13 February 2025	Results of Annual General Meeting
19 February 2025	Change of Director’s Interest Notice – Alexander Beard
7 March 2025	Change of Director’s Interest Notice – Alexander Beard

The announcements are also available through the Company’s website at: www.hancockandgore.com.au/investors.

This Prospectus contains details specific to the Offer. If you require any further information in relation to the Company, the Directors recommend that you take advantage of the ability to inspect or obtain copies of the documents referred to above.

5.3 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules which is required to be set out in this Prospectus.

5.4 Determination by ASIC

ASIC has not made a determination that would prevent the Company from relying on section 713 of the Corporations Act in issuing Consideration Shares under this Prospectus.

5.5 Interests of Directors

Except as disclosed in this Prospectus, no Director and no firm in which a Director is a partner:

(a) holds or has held in the last two years before the lodgement of this Prospectus with ASIC any interest in the formation or promotion of the Company, any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer under this Prospectus; or

(b) has been paid or has agreed to be paid or has received or has agreed to receive any benefits to induce them to become or to qualify as a Director or otherwise for services rendered by them in connection with the formation or promotion of the Company or the Offer under this Prospectus.

5.6 Director Remuneration

Mr Alexander (Sandy) Beard is engaged under contract as the Executive Chair of the Company and is entitled to receive remuneration and benefits under that contract.

Mr Steven Doyle and Mr Timothy James[3] are non-executive directors of the Company, but are engaged by subsidiaries of the Company under contract as Executive Chair – Global Uniform Solutions and Chairman – Schoolblazer, respectively, and are each entitled to receive remuneration and benefits under those contracts.

Mr Kevin Eley and Mr Angus Murnaghan are non-executive directors of the Company and entitled to receive non-executive director fees.

The maximum remuneration of non-executive directors is a fixed sum, determined by a general meeting of Shareholders. At the Annual General Meeting on 5 February 2008, Shareholders approved an aggregate amount of $500,000 per annum for non-executive director fees.

The Directors' remuneration for the last two financial years was as follows:

Financial year ending 30 September 2024				
Director	**Salary & Fees ($)**	**Superannuation ($)**	**Long-Term Incentive ($)[4]**	**Total ($)**
Alexander (Sandy) Beard	300,000	28,032	-	328,032
Kevin Eley	43,836	4,877	-	48,713
Angus Murnaghan	43,836	4,877	-	48,713
Steven Doyle	37,881	4,222	266,165	308,268

[3] Mr Timothy James was appointed as a Director of the Company on 12 October 2024. He has not been included in the table in Section 5.4 because he was not a Director of the Company during the relevant financial years.
[4] Long-term incentives of $266,165 comprise share-based payments under the HNG employee share plan for Steven Doyle's role as Executive Chair of Mountcastle.

Financial year ending 30 September 2023				
Director	**Salary & Fees ($)**	**Superannuation ($)**	**Long-Term Incentive ($)**	**Total ($)**
Alexander (Sandy) Beard	300,000	25,819	-	325,819
Kevin Eley	43,836	4,658	-	48,494
Angus Murnaghan	25,571	2,740	-	28,311
Steven Doyle[5]	N/A	N/A	N/A	N/A

Directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. Directors may also be entitled to participate in equity-based remuneration schemes. Shareholders must approve the framework for any equity-based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by Shareholders.

The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as Director.

5.7 Directors' interests in securities

The Directors' interests in securities as at the date of this Prospectus are detailed below:

Director	Shares
Alexander (Sandy) Beard	37,272,332
Kevin Eley	4,449,814
Angus Murnaghan	1,750,000
Steven Doyle	13,579,563[6]
Timothy James	68,000,777

5.8 Related party transactions

There are no related party transactions relating to the Offer that are not otherwise detailed in this Prospectus.

5.9 Disclosure of interests of advisers

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

(a) has any interest, or has had any interest during the last two years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or

(b) has been paid, or has agreed to be paid, any amount and has received or has agreed to receive any benefit that has been given, or agreed to be given, in connection with the services provided by the person in connection with the formation or promotion of the Company, or the Offer.

[5] Steven Doyle was appointed as a non-executive director on 21 November 2023.

[6] 7,500,000 Shares held by Mr Steven Doyle were issued under the Company's Loan Funded Share Plan on 15 March 2024. These Shares will vest in three equal tranches on each anniversary after the issue date for a period of three years if Mr Doyle remains continuously employed by the group. A holding lock will continue to these shares until the loan granted to Mr Doyle is either repaid in full or forgiven by the Company.

MJF Law has acted as solicitors to the Company in relation to the Transaction. The Company estimates it will pay MJF Law $30,000 (plus GST and disbursements) for these services. During the two years before the date of this Prospectus, MJF has neither provided legal services nor been paid by the Company.

5.10 **Expenses of the Offer**

The estimated costs of the Offer, including advisory and legal fees, as well as ASIC lodgement fees, and registry, printing and dispatch costs are currently expected to be approximately $50,000.

5.11 **Taxation**

Taxation implications will vary depending upon the specific circumstances of individual Shareholders. It is the responsibility of all investors to satisfy themselves of the particular tax consequences that apply to them, by consulting their own professional financial and taxation advisers. Neither the Company nor any of its officers, employees or agents, nor its taxation or other advisers accepts any liability or responsibility in respect of taxation consequences connected with the Offer.

5.12 **Privacy**

The Company and the Registry collect, hold and use your personal information in order to service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Company and tax laws require some of the information to be collected. The Company and the Registry may disclose your personal information for purposes related to your shareholding to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

(a) the Registry for ongoing administration of the register; and

(b) printers and mailing houses for the purposes of preparation and distribution of Shareholder information and for handling of mail.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by (or on behalf of) the Company or the Registry. You can request access to your personal information by telephoning or writing to the Company through the Registry on +61 3 9415 5000 or via its secure online form available on its website: by email at computershare.com/au.

5.13 **Consents and disclaimers**

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Consideration Shares), the Directors, any persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

None of the persons named below has authorised or caused the issue of this Prospectus or made any statement that is included in this Prospectus, or any statement on which a statement made in this Prospectus is based, except as stated below. Each of the persons named below expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given below.

MJF Law has given its written consent to being named as Australian legal advisers to the Company in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Each of the Directors has given their written consent to being named in this Prospectus in the form and context in which they are named and have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

5.14 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5.15 Share price performance and forward looking statements

Past Share price performance provides no guarantee or guidance as to future Share price performance. Past performance information given in this Prospectus is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this Prospectus is, or is based upon, information that has been released to the market. For further information, please see past announcements released to the ASX.

This Prospectus may contain forward looking statements with respect to the financial condition, results of operations, projects and business of the Company. These forward looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved or that actual outcomes will not differ materially from these statements. Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made in the Company.

5.16 Electronic prospectus

Pursuant to ASIC Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Application Form. If you have not, please contact the Company and the Company will send to you, free of charge, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.hancockandgore.com.au/investors.

5.17 Enquiries

If you are uncertain about any aspect of this Prospectus, including whether an investment in the Company is suitable for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

5.18 Expiry date

No Consideration Shares will be offered on the basis of this Prospectus later than 13 months after the date of this Prospectus.

5.19 Authorisation

This Prospectus is authorised by each of the Directors.

This Prospectus is signed for and on behalf of the Company by:

Mr Alexander (Sandy) Beard
Executive Chairman
Date: 12 March 2025

6 Glossary

Term	Meaning
Application Form	means the personalised acceptance form to be used by HCF in connection with the Offer, attached to or accompanying this Prospectus.
ASIC	means the Australian Securities and Investments Commission.
Asset Purchase	has the meaning given to that term in Section 1.1 of this Prospectus.
ASX	means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
ASX Listing Rules	means the listing rules of the ASX.
ASX Settlement	means ASX Settlement Pty Limited.
ASX Settlement Operating Rules	means settlement rules of ASX Settlement (as amended from time to time).
Board	means the Directors of the Company acting as a board.
Buy-Back	has the meaning given to that term in Section 1.1 of this Prospectus.
CHESS	means the Clearing House Electronic Sub-Register System of share transfers operated by ASX Settlement.
Closing Date	means the date on which the Offer closes, being 5.00pm (Sydney time) on Thursday, 17 April 2025 or such other date as the Board determine in accordance with this Prospectus.
Combined Group	means the Company's Global Uniform Solutions division, comprising its wholly owned subsidiaries Mountcastle Pty Ltd and Schoolblazer Limited, and each of their subsidiaries.
Company	Hancock & Gore Limited ACN 009 657 961.
Consideration Shares	has the meaning given to that term in Section 1.1 of this Prospectus.
Corporations Act	means the *Corporations Act 2001* (Cth).
Director	means each director of the Company at the date of this Prospectus.
Dollars, $ and A$	means Australian dollars unless otherwise indicated.
HCF	means H&G High Conviction Limited.
HCF General Meeting	has the meaning given to that term in Section 1.1 of this Prospectus.
HCF Notice of Meeting	has the meaning given to that term in Section 1.1 of this Prospectus.
In-Specie Distribution	has the meaning given to that term in Section 1.1 of this Prospectus.
MJF Law	MJF Law Pty Ltd trading as MJF Law (ABN 17 638 669 128).
Prospectus	means this document (including any electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document.
Registry	Computershare Investor Services Pty Limited.

Term	Meaning
Retention Amount	means a cash amount to be retained by HCF to fund its short term funding requirements, including transaction costs, tax liabilities, management fees and ongoing operational expenses.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of Shares.
Transaction	has the meaning given to that term in Section 1.1 of this Prospectus.

Corporate Directory

Directors

Mr Alexander (Sandy) Beard – Executive Chairman
Mr Kevin Eley – Non-Executive Director
Mr Angus Murnaghan – Non-Executive Director
Mr Steven Doyle – Non-Executive Director
Mr Timothy James – Non-Executive Director

Company Secretary

Mr Nishantha Seneviratne

Registered office

Suite 11.02, Level 11,
68 Pitt Street
Sydney NSW 2000
Telephone: +61 2 8667 4600
Facsimile: +61 2 8667 4600

Registry*

Computershare Investor Services Pty Limited
Level 6
56 Pitt Street
Sydney NSW 2000
Telephone:
+61 3 9415 5000

Legal advisors

MJF Law
Suite 25, Level 13
111 Elizabeth Street
Sydney NSW 2000

Auditors*

UHY Haines Norton
Level 9
1 York Street
Sydney NSW 2000

Website

www.hancockandgore.com.au/

** These entities have not been involved in the preparation of this Prospectus and are named for information purposes only.*

H&G HIGH CONVICTION

12 March 2025

INVESTOR NAME(S) <DESIGNATION>
C/O EXAMPLE LTD
PO BOX 0000
MELBOURNE VIC 3000

SAVE TIME & VOTE ONLINE:
Go to the address below or scan the QR code.

registrydirect.com.au/investor

HIN/SRN: <SRN/HIN>

PROXY FORM

Please complete and return this form if you wish to appoint a proxy and/or direct how you want your votes cast at the General Meeting of H&G High Conviction Limited (ABN 78 660 009 165) (the Company) to be held at 2:00 p.m. AEST on Friday, 11 April 2025 at The Porter Ground Floor 1 O'Connell Street Sydney NSW 2000 and at any adjournment or postponement of the meeting. This form must be completed and returned by 2:00 p.m. AEST on Wednesday, 9 April 2025.

Alternatively, you can appoint a proxy and/or direct how you want your votes cast online at https://www.registrydirect.com.au/investor/.

Step 1 - Appoint your Proxy

I/We are or represent a member/s of H&G High Conviction Limited and entitled to attend and vote hereby appoint:

☐ the Chair of the Meeting (mark box with 'X') **OR** ☐ Write here the name of the person (or body corporate) you are appointing if this person is someone other than the Chair of the Meeting

or failing attendance at the meeting of the person or body corporate named above, or if no person is named, the Chair of the Meeting, to act generally at the meeting on my/our behalf and to vote in accordance with the directions on this proxy form or, if no directions have been given and to the extent permitted by law, as he or she sees fit, at the General Meeting of H&G High Conviction Limited to be held at 2:00 p.m. AEST on Friday, 11 April 2025 at The Porter Ground Floor 1 O'Connell Street Sydney NSW 2000 and at any adjournment or postponement of the meeting.

This form authorises our proxy to vote on the lesser of

☐ all our securities **OR** ☐ ________________ securities

The Chair of the Meeting intends to vote all available proxies in the manner set out with each Resolution.

Step 2 - Direct how your votes are to be cast

Resolution 1

APPROVAL OF THE DIVESTMENT
Resolution type: **Ordinary**
Board recommendation: **For**
Chair's voting intention: **For**

FOR ☐ AGAINST ☐ ABSTAIN ☐ PROXY'S DISCRETION ☐

Resolution 2

DISPOSAL OF MAIN UNDERTAKING
Resolution type: **Ordinary**
Board recommendation: **For**
Chair's voting intention: **For**

FOR ☐ AGAINST ☐ ABSTAIN ☐ PROXY'S DISCRETION ☐

Resolution 3

APPROVAL OF THE BUY-BACK
Resolution type: **Special**
Board recommendation: **For**
Chair's voting intention: **For**

FOR ☐ AGAINST ☐ ABSTAIN ☐ PROXY'S DISCRETION ☐

Resolution 4

APPROVAL OF THE DISTRIBUTION
Resolution type: **Ordinary**
Board recommendation: **For**
Chair's voting intention: **For**

FOR ☐ AGAINST ☐ ABSTAIN ☐ PROXY'S DISCRETION ☐

Step 3 - Sign this form

Shareholder 1 (individual)	Joint Shareholder 2 (individual)	Joint Shareholder 3 (individual)
Sole Director & Sole Company Secretary	Director/Company Secretary (Delete one)	Director

Date

Contact name

Mobile number

Email

By providing an email you agree to receive future communications electronically

SIGNING INSTRUCTIONS FOR THE PROXY FORM

Individual:
Where the holder is an individual, the security holder must sign.

Joint holding:
Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:
If you are executing the Proxy Form under a Power of Attorney and have not previously supplied a copy, please attach a certified copy of the Power of Attorney to the Proxy Form when you return it.

Companies:
When the holder is a company, and the company has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise the Proxy Form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held and delete titles as applicable.

RETURNING THE PROXY FORM

Please note our preference is you appoint your proxy and direct how you require your vote/s be cast online. If you perform these actions online, you will not need to complete or return the Proxy Form. You can complete these actions by logging in to your account at **www.registrydirect.com.au/investor**.

You can return the Proxy Form by:

EMAIL:
vote@registrydirect.com.au

POST:
PO Box 572
Sandringham Vic 3191

FAX:
+61 3 9111 5652