

Hearts and Minds Investments Limited (HM1)

ABN 61 628 753 220

Half Year Financial Report

Results for Announcement to the Market for the Half-Year ended 31 December 2022

	Change	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Total net investment income	1,232%	40,667	3,054
Profit/(Loss) from ordinary activities after tax	1,040%	24,617	(2,619)
Other comprehensive income/(loss) net of tax	128%	6,012	(21,634)
Total comprehensive income/(loss) net of tax	226%	30,630	(24,252)

Net Tangible Assets (NTA) Per Ordinary Share

	31 Dec 2022	30 Jun 2022
Pre-Tax NTA per ordinary share	\$2.77	\$2.58
Net tax benefit/(liability) per ordinary share	\$0.18	\$0.23
Post-tax NTA per ordinary share	\$2.95	\$2.81

Dividends

The Directors of HM1 are pleased to declare a fully franked dividend of 13.5 cents per share payable on April 13, 2023. We retain a significant buffer in our profits reserve and franking accounts to cover dividend payments at this level for the next three years.

The Dividend Reinvestment Plan (DRP) will be in operation and participating shareholders can reinvest their cash dividend in new HM1 shares at the DRP issue price. The DRP issue price will be based on the market price of shares acquired under the on market acquisition provisions of the DRP.

	Cents per ordinary share	Franking %
Dividend per ordinary share	13.5	100%

Dividend dates:

Ex-dividend date:	15 March 2023
Record date:	16 March 2023
DRP election date:	20 March 2023
Payment date:	13 April 2023

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Brief Explanation of Results:

HM1 recorded a total comprehensive income after tax of \$30.6 million for the half-year compared to a total comprehensive loss after tax of \$24.3m in the prior December half. The result for the period reflects a significant recovery in the unrealised market value of the investment portfolio as of 31 December 2022, partly offset by realised losses from disposals during the half.

Significant realised losses were incurred on the disposal of the 2021 Conference Portfolio over the 12 month holding period. As we reported in the 2022 Annual Report we have made changes to the selection process for Conference Fund Managers and the risk parameters of the Conference Portfolio. There are early signs that these changes are having a positive impact. The overall investment portfolio recovered a little better than the broader market over the six months recording an investment return of 7.4%. The stocks for the latest Conference Portfolio were acquired during November 2022 and comprise the high conviction recommendations from our selected Conference Fund Manager. The Conference Portfolio is constructed now with a risk overlay to provide greater diversification of sector exposure and risk factors.

The Net Tangible Assets (NTA) of the Company increased over the half-year from \$641.1 million on 30 June 2022 to \$671.8 million on 31 December 2022. This equates to a post-tax NTA per share of \$2.95 on 31 December 2022.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers and service providers forego any fees and instead an amount equivalent to 1.5% of net tangible assets per annum is donated to designated charities. In the half-year to 31 December 2022 the Company paid \$5.2m in donations and has accrued a further \$5.0m as of 31 December 2022.

This report is based on the Financial Report for the half-year ended 31 December 2022 which has been subject to independent review by Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. The information should be read in conjunction with the 30 June 2022 Annual Financial Report.

**Hearts and Minds
Investments Limited**

**Financial
Report**

**For the half-year ended
31 December 2022**

ACN 628 753 220

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Corporate Directory

Directors <i>(Pro bono)</i>	Christopher Cuffe AO Lorraine Berends Guy Fowler Matthew Grounds AM Michael Traill AM Gary Weiss AM Geoffrey Wilson AO David Wright	Chairman and Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director Independent Director
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Company Secretary <i>(Pro bono)</i>	Tom Bloomfield
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Investment Committee <i>(Pro bono)</i>	David Wright Christopher Cuffe AO Lorraine Berends Matthew Grounds AM Brett Paton Paul Rayson	Chairman
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Core Fund Managers <i>(Pro bono)</i>	Caledonia (Private) Investments Cooper Investors Magellan Asset Management Munro Partners Regal Partners TDM Growth Partners Tribeca Investment Partners
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2021 Conference Fund Managers <i>(Pro bono)</i>	Cota Capital (USA) Tekne Capital Management (USA) Eley Griffiths Group Firetrail Investments Atreides Management (USA) TDM Growth Partners	Flight Deck Capital (USA) FACT Capital (USA) Munro Partners Cooper Investors Builders Union (UK) Aravt Global (USA)
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Registered Office	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000
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Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099
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Administrator	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400
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Share Registrar	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000 Telephone: (02) 9290 9600
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Stock Exchange	Australian Securities Exchange The home exchange is Sydney ASX code: HM1 Ordinary Shares
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Directors' Report to Shareholders

The Directors present their report together with the financial report of Hearts and Minds Investments Limited ("HM1" or "the Company") for the half-year ended 31 December 2022. Comparative figures shown below are for the half-year ended 31 December 2021.

Directors

The following persons were Directors of the Company during the half-year ended 31 December 2022 and up to the date of this report:

Christopher Cuffe AO	Chairman and Independent Director
Lorraine Berends	Independent Director
Guy Fowler	Independent Director
Matthew Grounds AM	Independent Director
Michael Traill AM	Independent Director
Gary Weiss AM	Independent Director
Geoffrey Wilson AO	Independent Director
David Wright	Independent Director

Investment Objective and Principal Activity

HM1 is a listed investment company that was established in 2018 with the combined objective of providing a concentrated portfolio of the highest conviction ideas from respected fund managers, whilst also supporting Australian medical research organisations. It was born out of the investment and philanthropic vision of the Sohn Hearts & Minds Investment Leaders Conference.

HM1 seeks to provide shareholders with a compelling and attractive investment proposition by creating a concentrated portfolio of long positions in Australian and international securities based on the highest conviction ideas from two groups of fund managers.

- a) HM1 has allocated 35% of its investment portfolio based on the annual recommendations of fund managers who present at their Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- b) HM1 has allocated 65% of its investment portfolio based on the highest conviction ideas of seven respected fund managers (known as the Core Fund Managers). The Core Fund Managers are Caledonia (Private) Investments, Cooper Investors, Magellan Asset Management, Munro Partners, Regal Partners, TDM Growth Partners and Tribeca Investment Partners.

No change in this activity took place during the half-year or is likely in the future.

Operating and Financial Review

For the half-year ended 31 December 2022, the Company reported a total comprehensive income after tax of \$30.6 million (2021: total comprehensive loss after tax of \$24.3 million). The result for the half-year reflects a significant recovery in the unrealised market value of the investment portfolio as of 31 December 2022, partly offset by realised losses from disposals during the half-year. Significant realised losses were incurred on the disposal of the 2021 Conference Portfolio over the 12 month holding period. As we reported in the 2022 Annual Report we have made changes to the selection process for fund managers and the risk parameters of the Conference Portfolio. There are early signs that these changes are having a positive impact. The overall investment portfolio recovered a little better than the broader market over the half-year recording an investment return of 7.4%. The stocks for the 2022 Conference Portfolio were acquired during November 2022. The Conference stocks comprise the high conviction recommendations from our selected Conference Fund Managers with, as noted above, a risk overlay to provide greater diversification of sector exposure and risk factors.

Company Performance

As a listed investment company, we use three key measures to evaluate the performance of HM1:

1. Investment portfolio performance, which measures the growth of the investment portfolio on a pre-tax basis and after the payment of all expenses, including the donation payments and provisions. Our investment benchmark, the MSCI World Net Total Return (AUD) Index, is also measured before taxes. Our investment performance compared to this benchmark is reported to shareholders on a monthly basis;
2. Net tangible asset (NTA) growth, which represents the change in the value of the Company's assets less liabilities. The post-tax NTA of the Company is essentially the realisable value of the Company at a point in time. The pre- and post-tax NTA per share of the Company are reported to shareholders on a weekly basis; and
3. Total shareholder return, which measures the total return to shareholders from share price growth and dividends paid.

Each of these is discussed below in more detail.

1. Investment Portfolio Performance

Performance to 31 December 2022	6 Months	1 Year	3 Years per annum	Since Inception¹ per annum
HM1 investment portfolio performance	7.4%	-26.0%	1.9%	8.1%
MSCI World Net Total Return (AUD) Index	4.4%	-12.2%	6.2%	9.7%

1. Inception was 14 November 2018.

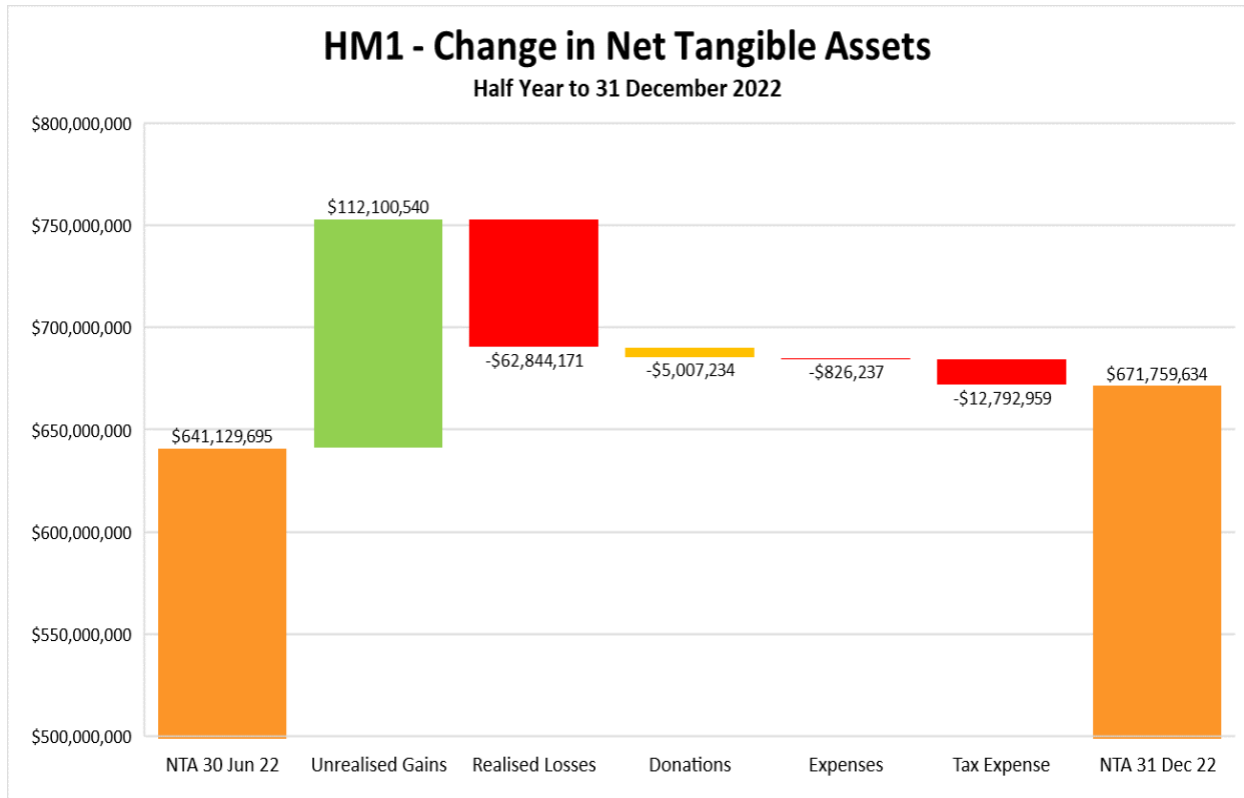
Broad share market indexes recovered slightly over the half-year ended 31 December 2022. Our investment portfolio performance over the half-year was encouraging at 7.4%, exceeding the benchmark by 3.0%.

As mentioned above, the changes we have made to our Conference Fund Manager selection process and risk overlays are beginning to show positive signs. We believe the changes we have made will better balance the risks in the portfolio but retain the essence of a high conviction growth strategy.

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2. Change in Net Tangible Assets (NTA)

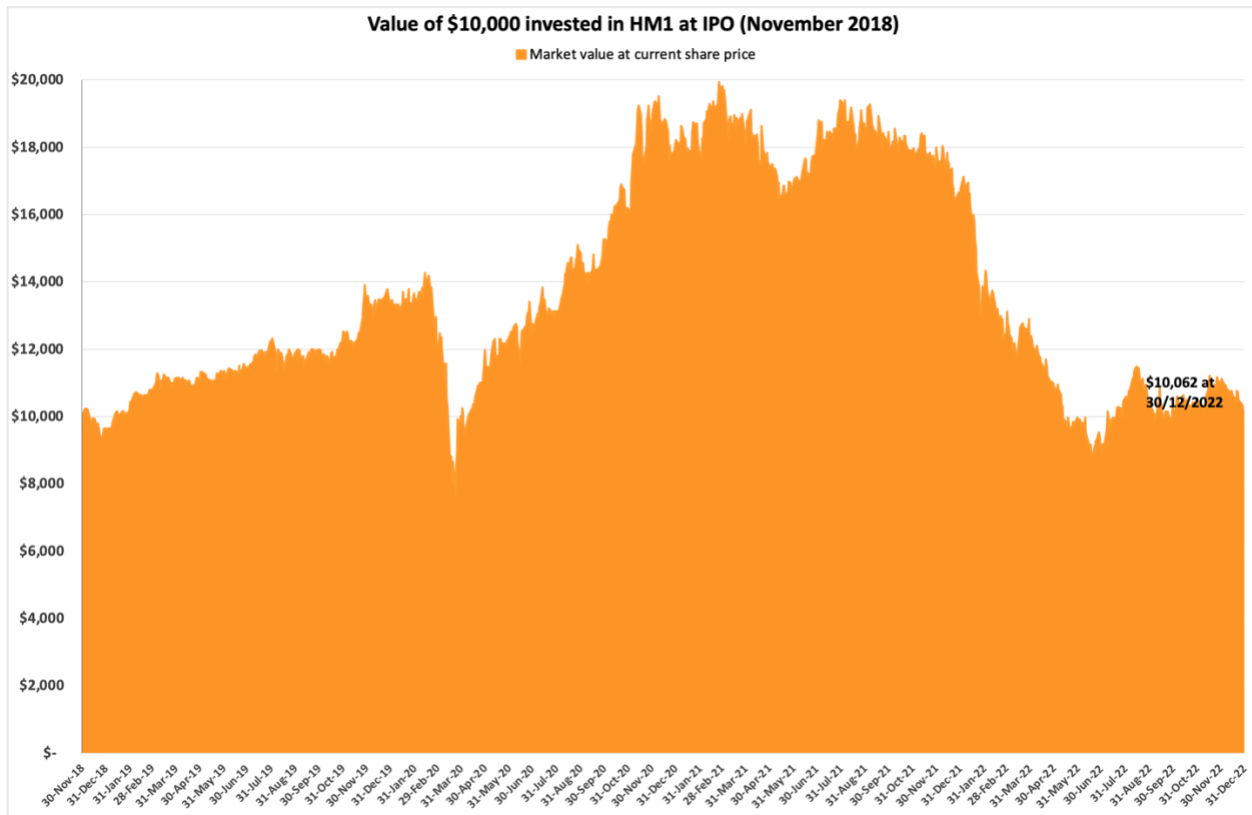
The NTA of the Company increased over the half-year from \$641.1 million on 30 June 2022 to \$671.8 million on 31 December 2022. This equates to a post-tax NTA per share of \$2.95 on 31 December 2022. The chart below shows the components of the change in NTA over the half-year. Unrealised mark to market gains of \$112.1 million were partly offset by realised losses of \$62.8 million. The realised losses were attributable to the 2021 Conference Portfolio. After expenses and tax, NTA increased 4.8% for the half-year. The NTA on 31 December 2022 does not include the value of franking credits that have been generated on tax paid.



3. Total Shareholder Return

Total shareholder return measures the change in share price plus dividends paid. HM1's share price increased 13% over the half-year from \$2.02 on 30 June 2022 to \$2.28 on 31 December 2022. HM1 has paid two fully franked dividends amounting to a total of 25.5 cents per share to shareholders. The notional value of a \$10,000 invested in HM1 shares from the date of listing, assuming the reinvestment of dividends, would be \$10,062 on 31 December 2022. The share price of \$2.28 on 31 December 2022 represented a 23% discount to the pre-tax NTA per share of HM1 of \$2.95.

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Medical Research

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations in order to help the development of new medicines and treatments and drive a new generation of medical research in Australia. HM1 and its participating fund managers and service providers forego any fees and instead an amount equivalent to 1.5% of net tangible assets per annum is donated to designated medical research organisations.

In the half-year to 31 December 2022 the Company paid \$5.2 million in donations and has accrued a further \$5.6 million as of 31 December 2022.

We would like to thank our participating fund managers and service providers for their outstanding and continued generosity since listing.

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Corporate Tax Rate

The Company is taxed at the corporate rate of 30.0% The Company maintains a franking account and may declare franked dividends to shareholders.

Dividends

HM1 provides shareholders with exposure to a concentrated portfolio of Australian and international securities. As such, returns to shareholders are predominantly delivered through capital growth which, when realised from the sale of securities, is taxed at the corporate tax rate and may be paid as franked dividends to shareholders. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice. The Board is aiming to pay a fully franked annual dividend in April each year following the realisation of the previous year's Conference Portfolio.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the period other than disclosed in the report and the Company's announcements to the ASX.

Subsequent Events

In the latest release to the ASX on 20 February 2023, the Company reported a NTA per share as of 17 February 2023, as follows:

Net Tangible Assets per Share	17 Feb 2023	31 Dec 2022
Pre-tax NTA per ordinary share	\$2.98	\$2.77
Post-tax NTA per ordinary share	\$3.10	\$2.95

Auditors Independence Declaration

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 in relation to the review for the half-year is set out on page 7 of this Financial Report.

Rounding of Amounts to Nearest Dollar

In accordance with ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and Half-Year Financial Report have been rounded to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
22 February 2023

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**Auditor's Independence Declaration
To the Directors of Hearts and Minds Investments Limited
ABN 61 628 753 220**

In relation to the independent auditor's review of Hearts and Minds Investments Limited for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



S M Whiddett
Partner

Pitcher Partners
Sydney

22 February 2023

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	Notes	For the half-year ended 31 December 2022 \$	For the half-year ended 31 December 2021 \$
Investment income from ordinary activities			
Net realised losses on financial assets at fair value through profit or loss		(71,442,978)	–
Net unrealised gains/(losses) on financial assets at fair value through profit or loss		108,134,808	(7,252,156)
Net realised gains on foreign exchange transactions		1,375,502	4,830,995
Net unrealised gains on foreign exchange transactions		652,236	3,051,649
Dividend income, net of withholding tax of \$93,086 (31 December 2021: \$87,228)	4	1,939,064	2,412,010
Sundry income		8,265	11,969
Total investment income		40,666,897	3,054,467
Expenses			
Donations	3	(5,007,234)	(6,657,118)
Interest expense		(1,651)	(27,635)
Employee costs		(340,155)	(312,667)
Other expenses		(484,431)	(526,287)
Total expenses		(5,833,471)	(7,523,707)
Income/(loss) before income tax		34,833,426	(4,469,240)
Income tax (expense)/benefit		(10,216,117)	1,850,433
Net income/(loss) for the period		24,617,309	(2,618,807)
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments taken to equity, net of tax	6	3,693,183	58,040,689
Net unrealised gains/(losses) on investments taken to equity, net of tax	6	2,319,447	(79,674,233)
Net realised and unrealised gains/(losses) on investments taken to equity, net of tax		6,012,630	(21,633,544)
Other comprehensive income/(loss) for the period, net of tax		6,012,630	(21,633,544)
Total comprehensive income/(loss) for the period		30,629,939	(24,252,351)
		Cents	Cents
Income/(loss) per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share		10.80	(1.16)

The accompanying notes form part of these half-year financial statements.

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	Notes	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents		118,129,435	122,026,366
Financial assets at fair value through profit or loss	8	379,881,551	187,553,443
Current tax asset		14,825,917	14,825,917
Prepayments		100,000	–
Other receivables		345,152	165,227
Total current assets		513,282,055	324,570,953
Non-current assets			
Financial assets at fair value through other comprehensive income	8	139,596,051	284,407,363
Deferred tax assets		25,321,338	38,114,298
Total non-current assets		164,917,389	322,521,661
Total assets		678,199,444	647,092,614
Liabilities			
Current liabilities			
Amounts due to brokers		645,258	–
Donation provision		5,694,552	5,875,169
Other payables		100,000	87,750
Total current liabilities		6,439,810	5,962,919
Total liabilities		6,439,810	5,962,919
Net assets		671,759,634	641,129,695
Equity			
Share capital	5	572,278,169	572,278,169
Reserves	6	169,701,391	163,688,761
Accumulated losses	6	(70,219,926)	(94,837,235)
Total equity		671,759,634	641,129,695

The accompanying notes form part of these half-year financial statements.

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Notes	Share capital \$	Investment portfolio revaluation reserve \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 30 June 2022	572,278,169	(10,342,285)	174,031,046	(94,837,235)	641,129,695
Net income for the period	6	–	–	24,617,309	24,617,309
Other comprehensive income, net of tax	–	6,012,630	–	–	6,012,630
Transfer to profits reserve	6	(3,693,183)	3,693,183	–	–
Balance at 31 December 2022	572,278,169	(8,022,838)	177,724,229	(70,219,926)	671,759,634
Balance at 30 June 2021	567,043,973	152,272,375	166,682,929	–	885,999,277
Net loss for the period	–	–	–	(2,618,807)	(2,618,807)
Other comprehensive loss, net of tax	–	(21,633,544)	–	–	(21,633,544)
Transfer to profits reserve	–	(58,040,689)	58,040,689	–	–
Transfer from profits reserve	–	–	(2,618,807)	2,618,807	–
Balance at 31 December 2021	567,043,973	72,598,142	222,104,811	–	861,746,926

The accompanying notes form part of these half-year financial statements.

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	Note	For the half-year ended 31 December 2022 \$	For the half-year ended 31 December 2021 \$
Cash flows from operating activities			
Dividends received		1,767,404	2,666,955
Other income received		–	16,377
Interest paid		(1,651)	(27,635)
Donations paid		(5,187,851)	(6,375,278)
Payments for other expenses		(912,336)	(838,954)
Income tax paid		–	(14,248,483)
Net cash used in operating activities	7	(4,334,434)	(18,807,018)
Cash flows from investing activities			
Proceeds from sales of investments		375,058,545	353,096,414
Payments for purchases of investments		(376,648,780)	(317,090,532)
Net cash (used in)/provided by investing activities		(1,590,235)	36,005,882
Net (decrease)/increase in cash and cash equivalents		(5,924,669)	17,198,864
Cash and cash equivalents at the beginning of the period		122,026,366	123,588,147
Effect of foreign currency exchange rate changes on cash and cash equivalents		2,027,738	7,882,644
Cash and cash equivalents at the end of the period		118,129,435	148,669,655

The accompanying notes form part of these half-year financial statements.

1 General information

The half-year financial statements of the Company are for the half-year ended 31 December 2022.

The half-year financial statements were authorised for issue on 22 February 2023 by the Board of Directors.

2 Summary of significant accounting policies

Basis of preparation

These general purpose financial statements for the half-year ended 31 December 2022 have been prepared in accordance with Australian Accounting Standards Board (“AASB”) 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the 30 June 2022 financial statements.

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the half-year financial report have been rounded to the nearest dollar, unless otherwise indicated.

The Company has adopted all of the new and amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period and there was no material impact on adoption.

3 Donations

In line with the Company’s philanthropic objectives, the Company donates a percentage of the Company’s net tangible assets to leading Australian medical research organisations every six months. The donations are equal to 1.5% per annum of the average monthly net tangible assets for the previous half-year and roughly equivalent to the value of the investment management fees foregone by participating fund managers. The donations accrue monthly and will vary month-to-month in proportion to the net tangible asset value. The accrual of the donation amount each month increases expenses and decreases the Company’s net tangible assets.

4 Dividends

(a) Dividend franking account

	For the half-year ended 31 December 2022 \$	For the year ended 30 June 2022 \$
Opening balance	81,873,826	43,321,479
Franking credits on dividends received	241,071	758,442
Franking credits on dividends paid	–	(13,077,671)
Tax paid during the period/year	–	50,871,576
Closing balance of franking account	82,114,897	81,873,826

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4 Dividends (continued)

(b) Dividend income from financial assets

	For the half-year ended 31 December 2022 \$	For the half-year ended 31 December 2021 \$
Dividend income from financial assets at fair value – Investments sold during the half-year	426,854	674,009
Dividend income from financial assets at fair value – Investments held at year end	1,605,296	1,825,229
Dividend income from financial assets	2,032,150	2,499,238
Withholding tax on dividends	(93,086)	(87,228)
Dividend income from financial assets at fair value, net of withholding tax	1,939,064	2,412,010

5 Share capital

(a) Issued capital

	31 December 2022 No. of shares	31 December 2022 \$
Ordinary shares	227,850,849	572,278,169
	30 June 2022 No. of shares	30 June 2022 \$
Ordinary shares	227,850,849	572,278,169

(b) Movements in share capital

	For the half-year ended 31 December 2022 No. of shares	For the half-year ended 31 December 2022 \$
Opening and closing balance	227,850,849	572,278,169

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5 Share capital (continued)

(b) Movements in share capital (continued)

	For the year ended 30 June 2022 No. of shares	For the year ended 30 June 2022 \$
Opening balance	226,033,818	567,043,973
Shares issued at \$2.88 per share	1,817,031	5,234,196
Ordinary shares	227,850,849	572,278,169

On 12 April 2022 the Company issued 1,817,031 fully paid ordinary shares at \$2.88 pursuant to the dividend reinvestment plan. In the prior financial year, on 20 April 2021, the Company issued 1,033,817 fully paid ordinary shares at \$4.39 pursuant to the dividend reinvestment plan.

6 Reserves and accumulated losses

	31 December 2022 \$	30 June 2022 \$
Investment portfolio revaluation reserve	(8,022,838)	(10,342,285)
Profits reserve	177,724,229	174,031,046
Accumulated losses	(70,219,926)	(94,837,235)
Total reserves	99,481,465	68,851,526

(a) Investment portfolio revaluation reserve

	For the half-year ended 31 December 2022 \$	For the year ended 30 June 2022 \$
Opening balance	(10,342,285)	152,272,375
Net realised gains on investments	5,275,976	54,089,546
Income tax on net realised gains on investments	(1,582,793)	(16,226,864)
Net unrealised gains/(losses) on investments	3,313,496	(232,306,657)
Deferred income tax on unrealised (gains)/losses on investments	(994,049)	69,691,997
Transfer to profits reserve	(3,693,183)	(37,862,682)
Closing balance	(8,022,838)	(10,342,285)

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6 Reserves and accumulated losses (continued)

(b) Net realised gains and losses on investments

During the period, a number of investments held at fair value through other comprehensive income were sold realising a net gain as set out below. The investments were sold following recommendations from our portfolio fund managers and in accordance with our investment strategy.

	For the half-year ended 31 December 2022 \$	For the year ended 30 June 2022 \$
Proceeds from sale of investments	375,058,545	466,054,222
Original cost of investments sold	(441,225,547)	(433,678,566)
	(66,167,002)	32,375,656

(c) Profits reserve

	For the half-year ended 31 December 2022 \$	For the year ended 30 June 2022 \$
Opening balance	174,031,046	166,682,929
Transfer from investment portfolio revaluation reserve	3,693,183	37,862,682
Dividends	–	(30,514,565)
	177,724,229	174,031,046

The Company aims to pay a fully franked dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio. During the year ended 30 June 2022, the Company paid a fully franked dividend of \$0.135 per share to shareholders amounting to a total dividend payment of \$30,514,565, of which \$5,234,196 was reinvested by shareholders in additional HM1 shares via the dividend reinvestment plan.

(d) Accumulated losses

	For the half-year ended 31 December 2022 \$	For the year ended 30 June 2022 \$
Opening balance	(94,837,235)	–
Net income/(loss) for the period	24,617,309	(94,837,235)
	(70,219,926)	(94,837,235)

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7 Reconciliation of net income/(loss) for the period to net cash used in operating activities

	For the half-year ended 31 December 2022 \$	For the half-year ended 31 December 2021 \$
Net income/(loss) for the period	24,617,309	(2,618,807)
Fair value (gains)/losses and movements in financial assets at fair value through profit or loss	(36,691,830)	7,252,156
Effects of foreign currency exchange rate changes on cash and cash equivalents	(2,027,738)	(7,882,644)
Change in operating assets and liabilities:		
Increase in prepayments	(100,000)	–
(Increase)/decrease in other receivables	(179,925)	259,353
Decrease in deferred tax assets	11,798,911	63,675
Decrease in current tax liability	(1,582,794)	(14,825,954)
(Decrease)/increase in donation provision	(180,617)	281,840
Increase in other payables	12,250	–
Increase/(decrease) in deferred tax liabilities	–	(1,336,637)
Net cash used in operating activities	(4,334,434)	(18,807,018)

8 Financial Assets

Fair value measurements

(a) Fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted closing price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

8 Financial Assets (continued)

Fair value measurements (continued)

(b) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

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

The following tables represent the Company's assets and liabilities measured and recognised at fair value at:

31 December 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Listed equity securities on major exchanges	379,881,551	–	–	379,881,551
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	139,596,051	–	–	139,596,051
Total financial assets at fair value	519,477,602	–	–	519,477,602
30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Listed equity securities on major exchanges	187,553,443	–	–	187,553,443
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	284,407,363	–	–	284,407,363
Total financial assets at fair value	471,960,806	–	–	471,960,806

There were no transfers between levels for recurring fair value measurements during the half-year ended 31 December 2022 and for the year ended 30 June 2022.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

The carrying amounts of other receivables and other payables are assumed to approximate their fair values due to their short-term nature.

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9 Segment information

The Company is solely engaged in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments. It has no reportable business or geographical segments.

The Company's investments are listed equity securities on major exchanges. The split of the Company's investments by the country of listing is set out below.

	31 December 2022	30 June 2022
	Country of Listing	Country of Listing
	%	%
United States	50	60
Australia	30	27
Germany	11	3
Hong Kong	3	3
Canada	3	4
United Kingdom	3	1
Japan	–	2
	100	100

10 Commitments and contingencies

The Company had no material contingent liabilities or commitments as at 31 December 2022 (31 December 2021: Nil).

11 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

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Directors' Declaration

In accordance with a resolution of the Board of Directors of Hearts and Minds Investments Limited, the Directors declare that:

- (a) The financial statements and notes as set out in pages 8 to 18 are in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position of the Company as at 31 December 2022 and of its performance, as represented by the results of the operations and the cash flows, for the half-year ended on that date.
- (b) At the date of this declaration, in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
22 February 2023

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**Independent Auditor's Review Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the half-year financial report of Hearts and Minds Investments Limited ("the Company") which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Hearts and Minds Investments Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

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

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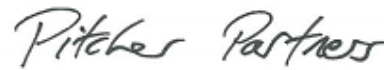
Auditor's Responsibility for the Review of the Financial Report

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

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



S M Whiddett



Pitcher Partners

22 February 2023

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